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With The Editors

Price Theories Versus Facts

THE price of steel is being jumped to cover the cost of wage increases. Some economists will shake their heads and say this is bad because higher prices will tend to curtail demand. Their theory seems fundamentally logical, yet like so many economic theories it must be qualified.

President Roosevelt has said that lower prices do not stimulate demand but just the opposite. He is right—within limits. Most economists say that lower prices *do* stimulate demand. They also are right—within limits. This seems paradoxical, but is it?

Those who accept the President's price theory will triumphantly point out the fact that 30-cent wheat at the bottom of the depression did not stimulate the demand for bread, even among those consumers who still possessed money with which to buy it. There is no room for argument here, but wheat is only one element in the cost of bread and the price of bread declined very little in the depression. Moreover, most people eat only so much bread and would not eat more if the price were cut from 10 cents a loaf to a nickel—yet we know that if bread soared to $1 a loaf demand would be very small.

Again, consider the price of copper. In theory, the lower the price, the more of the metal should be consumed. The fact is that far more copper is being bought today at above 10 cents a pound than was bought in 1932 at 4 cents a pound. Yet none can doubt that an extreme rise would curtail demand.

On the other side of the price theory the most familiar example cited is the automobile. Everybody knows that the amazing success of the motor industry has been due to a low-price-high-quality policy. None can deny that a given automobile will find a bigger market at $700 than it will find at $1,000. Similarly, few will deny that a man's shirt will have a bigger sale at $1.50 than it would have at $3.

Confusion of thought arises from the tendency of price theory to cover too much territory. There is a difference between primary raw materials, the price of which largely determines the purchasing power of a great many producers who are also consumers of other products, and manufactured goods. There is a difference between consumer goods and producer goods. The public does not buy steel or copper, but products made of steel or copper. Industry buys steel and copper, and will buy at no price unless there is demand for the finished product. Higher steel and copper prices, if not unreasonable, will not curtail industry's demand. The public buys automobiles and shirts, and is much more sensitive to price changes therein than is the business man buyer to changes in prices of his materials. Demand for daily necessities, such as bread, is less sensitive to price factors than is demand for non-essentials.

It is because there are so many sides to the complicated matter of prices that we have so many conflicting price theories.

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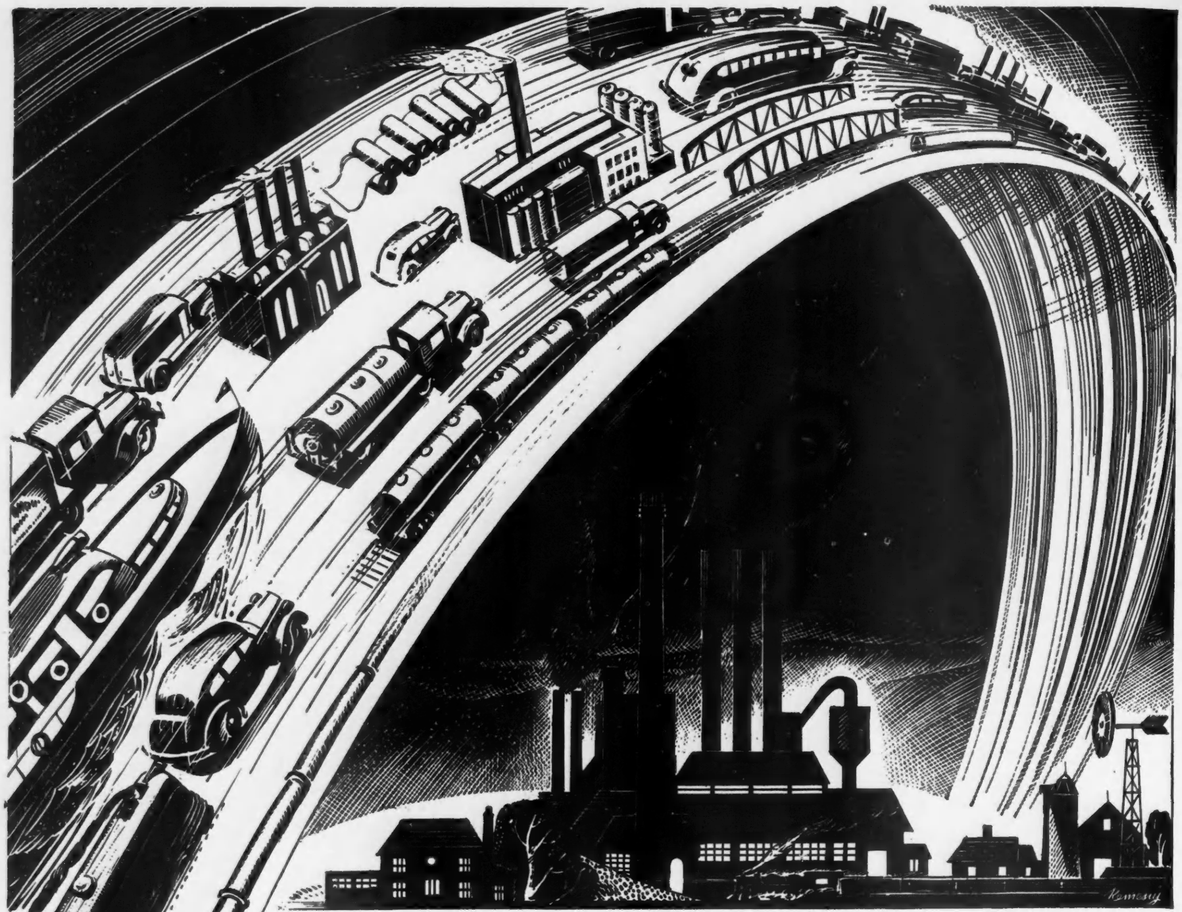
Trade Regulation and Legislation

BY HON. WRIGHT PATMAN

U. S. Senator from Texas

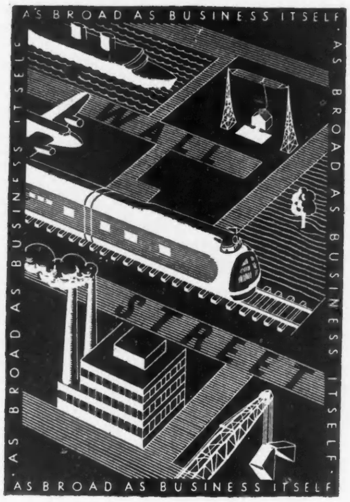
Advantages and Pitfalls in Corporate Reorganization

BY ARTHUR M. RAYFIELD



THE MAGAZINE OF WALL STREET

E. KENNETH BURGER, *Managing Editor* : C. G. WYCKOFF, *Publisher* : THEODORE M. KNAPPEN, LAURENCE STERN, *Associate Editors*



The Trend of Events

TESTING THE BRAKES . . . The New Deal is committed to a monetary-credit management, the objective of which is to achieve stabilized prosperity within the framework of the capitalistic system, avoiding such extremes of unsound boom and deep depression as have been characteristic of that system's past history. All will agree that the objective is desirable, including those who doubt that it will be attained.

For more than three years the endeavor has been to induce a recovery in the general price level, especially as to primary products, and to stimulate business activity. Today the gathering momentum of the revival points to a coming boom. For evidence, one need not go beyond the barometric stock market.

In the present setting, therefore, it is wholly logical that the Administration should turn its thoughts from stimulation to control. That is the significance of the series of warning gestures recently emanating from Washington—hints of budget retrenchment, of action to check the flow of foreign funds into our securities, raised bank reserve requirements, more rigid S E C restrictions on speculation.

The central key to the problem continues to be the budget. If the Treasury stops borrowing new money the chief cause of continuing bank deposit inflation will be eliminated. If the amount of its borrowing declines, the rate of bank deposit inflation will be checked. Without a change in deficit financing—and its corollary cheap money policy—no brake upon a potential speculative and business boom can be more than temporarily and partially effective.

Even without creation of additional bank deposits, normal velocity in existing deposits would be capable of producing a boom. It is none too soon, therefore, that the Administration begins to feel out the brakes, even though it must be careful to do nothing to halt a recovery which is still incomplete. It will be some years, of course, before we know whether we have found the key to stabilized good times.

WE MUST KEEP OUT . . . None can read the gloomy news that comes almost daily from Europe without grave forebodings of war and without taking comfort in the fact that we are distant from that distraught continent by the broad span of the Atlantic Ocean. But the Atlantic was not wide enough to keep us from being drawn into the World War—a war of staggering cost and empty result. We fought "to save Democracy." Today autocracy is stronger and bolder than ever before.

When war comes again we will desire to stay out—but we desired to stay out in 1914 and 1915 and 1916. Nevertheless, 1917 found us pulled in. It is not enough that we desire to stay out. We will again be drawn

in unless here and now—before the drums of propaganda begin to beat their loudest—we shape a neutrality policy that will in fact keep us aloof.

And the fact must be faced that complete neutrality will mean not only foregoing war profits but accepting some loss in existing international trade. That loss would be small, compared to the costs of war—but will the Administration and Congress stand adamant when an inevitable selfish minority of traders begins to clamor about its "rights" and when idealistic slogans come dinning in our ears from Britain and France?

Let us by all means be prepared to fight to defend our *own* Democracy, but the test of what constitutes a defensive war is very simple and is not changed by slogans and battle cries. A defensive war is fought on the defender's own territory or the waters adjacent to it. We will not be fighting to save anything but somebody else's bacon if we again send armies into Europe.

THE VAN SWERINGEN EPIC . . . A remarkable story of glamorous success and tragic failure comes to the end with the recent death of Oris P. Van Sweringen just a year after the death of his younger brother Mantis Van Sweringen. Arising from small beginnings as real estate developers in Cleveland, these inseparable brothers assembled a far-flung railroad empire. Neither in personal ambitions nor methods were they stock-jobbing promoters seeking an easy road to wealth.

They acquired railroads openly and fairly. They had a genius for picking able men to operate those roads. They touched no railroad but what they made it a better, more efficient system. Some railroads they converted from "streaks of rust" to first class lines. They had the confidence and the backing of powerful, shrewd and conservative banking houses.

What went wrong? Two things. Their "railroad empire" was assembled by stretching the holding company device to a limit supportable only by a permanent high level of prosperity. Instead of continued prosperity there came a great depression. For a brief time it seemed that the Van Sweringens might "come back." A little more than a year ago interests friendly to them acquired paper control of this "rail empire" at auction for three million dollars and contemplated that the Van Sweringens would manage the properties, even in time regain ownership for cost plus interest.

But Mantis Van Sweringen died and now "O. P." has followed. The railroads will run on. The Van Sweringens pass into history.

IT'S TO BE A VERY MERRY CHRISTMAS . . . Soon the advertisements will be advising you to shop early and avoid the Christmas rush. You are so warned every year, but this year the warning will rest upon much more than the optimism customary among merchants as Christmas approaches. Were the $2,000,000,000 veterans' bonus being distributed now, instead of last summer, you would see a big spurt in retail trade. There is a similar stimulus in the hundreds of extra and special dividends being paid by corporations, partly to avoid the Federal undistributed profits tax, and in numerous wage increases and employee bonuses.

Recent and current additions to payrolls and dividend income amount to hundreds of millions of dollars. Christmas savings fund totals soon to be spent are bigger than ever before. There is every evidence that the public not only has vastly increased purchasing power but is in a spending mood. It is not improbable that Christmas trade will top that of a year ago by 20 per cent. Some talk of it passing the 1929 mark. Maybe. In any event, "shop early and avoid the rush."

OUR GOLD POLICY . . . The Netherlands, Belgium and Switzerland have now declared adherence to the tripartite currency agreement reached by the United States, Great Britain and France on Sept. 25. Simultaneously Secretary of the Treasury Morgenthau has announced new exchange restrictions as a result of which private export of gold, as heretofore conducted by the banks, is forbidden and all future gold movements will be handled only through the Stabilization Fund.

Inclusion of Belgium, Switzerland and the Netherlands in the currency agreement widens the field of monetary collaboration among the Democratic nations and hence is a highly desirable development. The abolition of private export of gold is but a logical further step in implementing the policy upon which our Government and those of Britain and France embarked two months ago. It simply concentrates the power to control gold movements in the hands of governmental authority.

Old guard believers in a rigid and automatic gold standard will see the tightened political control as a revolutionary step. The revolution came some time ago when Great Britain embraced managed money and when the New Deal followed suit. All changes in method since then have been incidental to the basic fact. We are going to have stability in foreign exchanges, unless war changes the picture, but it is to be doubted that gold ever again will control our domestic price level or the volume of credit available to us.

UNEMPLOYMENT INSURANCE . . . By decision of the Supreme Court, New York State's unemployment insurance act stands as valid law. Thus the States have the power to tax all employers and to mingle the funds thus raised in a common pool, from which disbursements can be made without regard to varying standards of employment among varying companies.

If tax money taken from an electrical equipment manufacturer in Buffalo, who has devised methods to maintain a high degree of stability in employment, is spent to aid employees let out by a Brooklyn garment maker the moment his orders fall off—that, under this decision, is not confiscation of property without due process. It need hardly be said that the Supreme Court passed on the legality of the act and not its wisdom or justice.

Neither, of course, did it pass upon the validity of the Federal Social Security Act. Some in Washington take the decision as inferring that the latter law will stand after test. Perhaps it will, but such assumption can be nothing more than interesting speculation.

THE LABOR SPLIT . . . In its annual convention at Tampa the American Federation of Labor elected to continue indefinite suspension of the recalcitrant C. I. O. unions without ejecting them. Thus the status quo is maintained and the basic conflict is unresolved. The best that can be said is that internecine warfare among local and state labor organizations affiliated with the A. F. of L. may be less than it would have been had the C. I. O. unions been expelled. As it is local labor organizations that adhere to the Lewis group may continue to participate in State and local federations.

Even so, the rivalry will promote labor unrest and disturbances and make for jurisdictional conflict. That so basic a dispute exists is striking proof of the absurdity of talking of the "economic solidarity" of labor. Between a carpenter and a coal miner there is little in common. Between a skilled metals craftsman and a common laborer in the steel mills there is even less in common. The pro-Green and pro-Lewis unions have a total membership of some 3,000,000. They are fighting for the right to attempt to organize more than 20,000,000 workers who never before have been organizable.

To make real headway in his drive, Mr. Lewis will require the support of the Government. To what extent he will get it remains to be seen.

SETTLING UP TO BORROW MORE? . . . Monsieur Claudel, former French Ambassador at Washington, proposes an immediate conference to dispose forever of the political war debts, which go on compounding upwards and now amount to about $13,000,000,000. He advances the argument that international monetary stabilization and general political harmony require the elimination of these debts. He also points out that the changes that have been made in currencies in recent years—and that may be followed by others as stabilization is achieved—reduce the gold equivalent of the currency measurements of the debts and make them easier of liquidation. Of course the Germans suggest that at the same time international private debts be scaled down—inasmuch as their political debts have been forgiven, whereas their private foreign debts, chiefly to the United States, are much larger than those of the former allies. There can be little doubt that revision, if not cancellation, of the political debts approaches.

In the preceding issue of this publication Mr. Harold Fisher, an English observer, remarked that no worldwide monetary stabilization was possible until the war debt question was somehow disposed of.

In considering the question of settlement the United States will be forced to remember the contention of most European debtors, that money settlements of any large balances are physically impossible. Now, however, we find the Europeans sending immense quantities of gold to the United States to satisfy their own selfish policy. During the last two years alone the gold remittances to the United States have been sufficient to pay the fixed installments on the debts many times over. The present difficult international situation in Europe causes all the debtor nations to desire complete harmony with the United States even if for no other reason than to be put again into the class of acceptable borrowers from the United States.

THE SUPREME COURT . . . Inevitably the result of the re-election of President Roosevelt is to increase agitation for limiting the power of the Supreme Court in order that Congress and the President may have a freer hand in social and economic planning. Advocates of a supreme central government interpret the election as a mandate for their cause. We doubt it.

It seems to us that the Roosevelt victory turned primarily on the fact that a majority of people approved, on the whole, of the results obtained during his first Administration. Certainly Mr. Roosevelt did not make the powers of the Supreme Court a specific issue in his campaign. That the more responsible members of the Administration are uncertain as to public opinion on this question is indicated by the fact that they remain conspicuously silent on it.

The Supreme Court is neither sacred nor infallible. There is no reason why its function should not be discussed frankly. Our system of checks and balances in government was designed to bulwark civil liberty, to safeguard the people from excess of centralized power, to protect the people even from their own impulsive majority opinions. The basic law can be changed but the process of change allows time for mature consideration. Such change is more likely to represent the considered will of the people than is a transient majority rolled up in the heat of political campaign.

Listening to hot-heads who would remake the world in a day, one would think that all social and economic progress is barred to us unless the hands of the Supreme Court are tied. If this is true, how is it that the economic and social progress of the United States for generations has been the envy of the world? How could it be that the depression has been vanquished? We were told that the doom of N R A meant renewed depression, that the passing of A A A meant 30-cent wheat. Both predictions proved wrong. Calm second thought has a valid place in American government. The Supreme Court makes us take second thought. Curbing its powers would not be progress but political reaction.

THE MARKET PROSPECT . . . Our most recent investment advice will be found in the discussion of the prospective trend of the market on page 203. The counsel embodied in the feature should be considered in connection with all investment suggestions, elsewhere in this issue. Monday, November 30, 1936.

The Market Through December

BY A. T. MILLER

THE market has been jittery over the past fortnight, with irregular reaction the rule. Reasons for hesitation are not hard to find. From official Washington has come one hint after another that the New Deal does not want a speculative boom and is considering ways and means of doing something about it. From Europe, which on one day fears imminent disaster and next day thinks it may be postponed, has come more bad news than good.

It should be remembered, however, that a market temporarily stale can nearly always find some external reasons for short term reversal. During most of November, prior to the present recession, the favored industrial section found increasing difficulty in extending the general advance and showed increasing selectivity. The bull cause got no help from the rails, which have been in a dragging downtrend for some six weeks; nor from the utilities, which, however, begin to suggest an interesting technical foundation since they have stuck within a trading range of less than 3 points for about four months.

Last February and March the most significant technical development in the market was increasing selectivity and inertia, as reflected by a marked flattening out in THE MAGAZINE OF WALL STREET's index of 295 equities. At that time also the New Deal was viewing the market with some doubt and taking precautionary steps. A temporary wave of speculative fear in a thin market and a temporary lull in investment accumulation resulted in the sharp April reaction.

We rather doubt that the April performance is going to be repeated in the present setting, even though some further recession or irregularity may be seen before the year-end rally makes its appearance—a rally that has become such a seasonal habit that it would not seem like Christmas without it. The reason we doubt the potency of Washington warnings is that the bark seems to be worse than the bite. Last spring the official growl did sound pretty mean, but higher margins and a jump of 50 per cent in bank reserve requirements did not give the bull market more than temporary pause.

Another dose of the same treatment now would probably have less effect than the first one, human nature being what it is. It has been said, "Barking dog never bites." We would not like to push the analogy too far. The Administration has weapons with which it would be possible to check a speculative boom—but the point is that until they are used with the specific purpose of removing inflationary pressure or actually applying deflationary weight, they can not be effective.

As long as the Government continues to borrow money obtained by a write-up of bank deposits, it will be inflating the money supply. As long as it must borrow large sums, it will keep money rates dirt cheap. As long as these financial realities prevail on the one side, while on the other side there is the prospect of further expansion in business activity, there can be only one direction for stock prices and that is up, temporary reactions to the contrary notwithstanding.

The chief purpose of the Federal controls has been to prevent excessive use of credit for speculative purposes and to prevent excessive speculative activity. Since we had both of these evils in 1928 and 1929 it is not surprising that in the public mind they were hooked up with the course of stock prices. Yet the controls have been highly successful in preventing speculative excess, either as to use of credit or as to activity—but this apparently has little to do with the price movement.

It can be demonstrated that during the past two years stock market activity, in relation to number of listed stocks, was only some 40 per cent as much as it was in the years 1925 and 1926, which was before the speculative fever was anywhere near its height. It is undeniable that brokers' loans are a small fraction of what they used to be in active markets. Nevertheless, our controlled market from 1935 low to 1936 high advanced considerably more than 100 per cent, our index going from 43 to approximately 100; while the uncontrolled speculation of 1925 and 1926 produced a rise of considerably less than 50 per cent.

All of which leads us to suspect that even still more rigid control of speculation can not prevent stock prices going up as long as there is valid financial or economic reason for such advance or—what is also important—as long as the majority of people think so.

There are two possible controls to watch which, in our opinion might check over-fast rise in the stock market, without unduly threatening continued business progress. The first of these is the Federal budget. It can not be immediately balanced, however, and we doubt that announced intention to balance it in 1938 will give any chill to the stock market. The end of Federal deficits, of course, is the first and primary step

Threatened application of the brakes by Washington does not change bullish policy in investment or longer range speculative commitments. The major trend remains up, and selective purchases are favored in recurrent periods of reaction.

if the potential boom is to be brought under control.

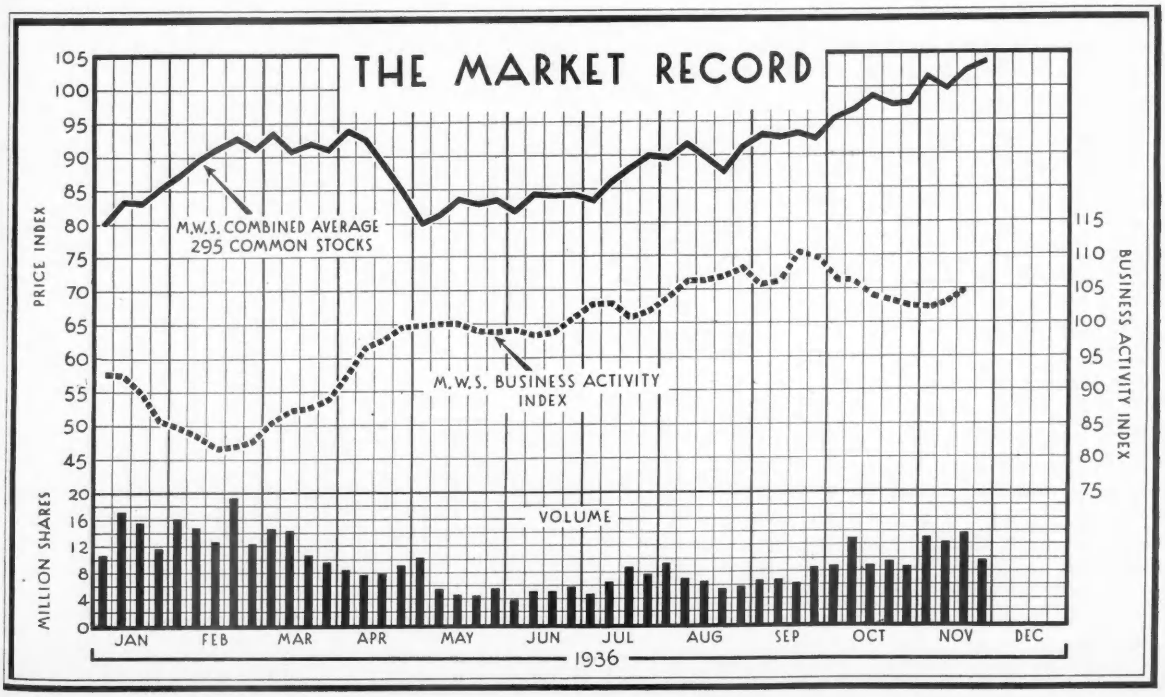
Yet while we talk of probable boom ahead, the *current reality* is that production, employment and national income are still well below prosperity levels. Hence, the Administration may tentatively feel out its brakes and stop pressing the accelerator to the floorboards—but it should not and will not take any action which will threaten business recovery.

Therefore, a second possible stock market control—repeal of the capital gains tax—should receive careful consideration. This has no relation to credit policy and no direct relation to the business trend. We have an artificial factor making for excessive rise in stock prices in a tax which precludes cashing of profits by investors subject to the higher income tax brackets. Repeal of that tax, which has produced no important total of Federal revenues, would bring about a substantial readjustment of market prices, especially in issues which have had a sensational advance, and would thereafter leave the market on a far more natural technical basis.

The possibility of some corrective action in this regard is so real, we believe, that it must be taken into account in security selection at this time. For example, the market action reflects a consensus that the motor industry has experienced the major portion of probable recovery, even though 1937 will be an excellent year. On the other hand, makers of heavy steels are still in a depressed zone, both as to earnings and market prices. If the capital gains tax is repealed or importantly revised, we would expect to see a shifting of funds from some motor equities to heavy steel stocks or other promising groups still far under normal levels.

Meanwhile a lesser readjustment is now in progress in the waning of interest in bonanza dividends forced out by the undistributed profits tax and the turning of attention to issues not affected by the tax. Thus it is argued as a bull point on oils that they can get tax credit for depletion charges and hence do not have to pay extraordinary dividends! Thus does the pendulum of speculative sentiment swing.

In any event, the market will soon be selling ex-windfall-dividends and will soon have to turn its eye to very important happenings in Washington. Less attention to dividends and more attention to prospective business and earnings trends will be a good thing. As far ahead as we can see, the business road is reasonably clear of obstructions; and the forward march will continue with the capital goods industries setting the pace.



Wages and Salaries Are Advancing, so Also is the Cost of Living. Will Consuming Power Be Held Static or Increase?

Will Higher Wages Prove a Spur to Business?

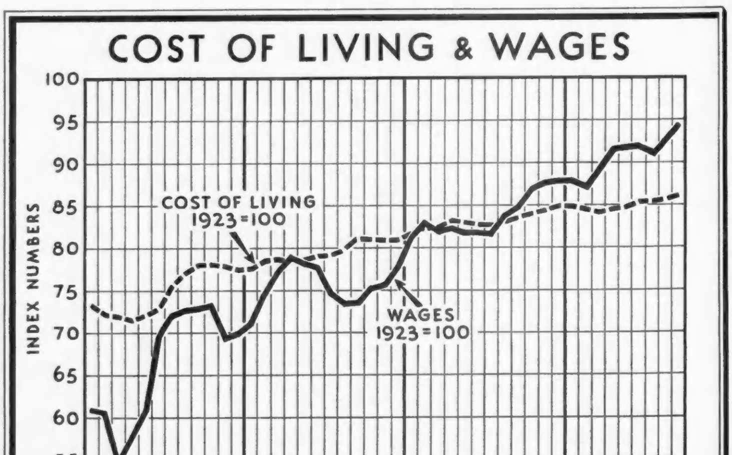
BY NORMAN TRUMBULL CARRUTHERS

Wages are rising and rising fast. Rightly or wrongly labor thinks that it had a great deal to do with the return of the present Administration to office for another four years and is pushing any advantages it may have for all they are worth. It seems certain that a number of labor bills will be introduced and passed at the next session of Congress. They will have to do with minimum wages, maximum hours, working conditions and what not, all of which will have a tendency to raise industry's labor costs. These rising costs in turn will add their weight to the factors that are making for rising prices. So far as labor is concerned, will the one counteract the other to the end that there is no improvement in the standard of living? So far as the owners of industry—the stockholders—are concerned, will rising prices outweigh increased costs and thus permit a further improvement in earning power and dividends?

These are questions in the spotlight today: they go to the very heart of the present business recovery and upon the manner in which they are finally answered will depend recovery's duration and extent. Within recent weeks the public has been treated to divergent wage-price policies on the part of two of our greatest industries. Some half-a-million steel workers have been granted wage increases averaging 10 per cent, a development which is estimated to cost the steel industry about seventy-five million dollars a year. The industry, however, has no intention of absorbing such an increase and it is being generally accepted that before long it will be passed along to the consumer in the form of higher prices. The Carnegie-Illinois Steel Corp., already has announced an advance in the price of finished steel between two dollars and four dollars a ton to take effect December 1 on all orders for delivery during the first three months of next year.

In marked contrast to this situation is that prevailing in the automobile industry. Here, wages are back to 1929-levels, or above, and the public is being offered an immeasurably better car for considerably less money. This is not to imply that there is anything iniquitous in the policy of the steel industry. As a matter of fact the industry presents some convincing reasons why it is unable to do differently. It is pointed out that the majority of those holding the common stocks of steel companies are receiving no return whatsoever on their investment and that, were the industry to absorb the increased wage costs, the prospect of their doing so would be remote. And this, of course, is a circumstance altering cases, when compared with the flood of dividends being paid the automobile stockholder.

Nevertheless, although it may not be the steel industry's fault that it can raise wages only by passing the increase along to the consumer, it makes a great deal of difference to the country as a whole whether the irresistible forces working towards higher wages are appeased at the expense of the consumer or whether



Pictures, Inc.

Cleveland—Employees of the American Steel and Wire Company cheer bulletin announcing increase in wages

increased efficiency can be made to shoulder a large part of the cost. Obviously, if every company forced to grant an increase in wages were to follow it immediately with an increase in selling prices, the cost of living would keep pace with the receipts of labor and the working man be no better off than he was before. As a matter of fact in the steel industry and elsewhere there is some disposition to actually link wages with the cost of living. Subsidiaries of the United States Steel Corporation, for example, granted their labor an increase in wages recently, a further increase to come with a rise in cost of living index of the Department of Commerce. If, on the other hand, an increase in wages were not followed by an offsetting increase in selling prices and there were no increase in efficiency, it would merely have the effect of transferring purchasing power from the hands of investors to the hands of labor and it is hard to see how this would enhance the well-being of the country as a whole to any material extent.

Labor in all probability would dispute the last of these conclusions on the ground that money given to labor is spent immediately and helps to keep the wheels of industry revolving, whereas the rich's dividends lie idle. This is obviously untrue, of course. Even assuming that the majority of dividends go to the rich—something which is by no means so—it does not follow that the money remains idle. On the contrary, regardless of what the recipient himself may do, it is spent immediately and spent for labor. If invested in a new enterprise, it is spent in getting the concern started; if it is used to buy additional securities, then the seller of the securities spends it for something tangible; if it is placed on deposit in a bank, then everything points, under present day conditions, to its finding its way into a Government bond and in this case the Government will spend it. However, there is probably this much truth in labor's viewpoint: additional money paid to the rich may well have a tendency to waste a good deal of time circulating among the purveyors of luxuries until it seeps down to the worker who is more in need of it.

Leaving aside for the moment the possibility, its justice and its merits, of diverting purchasing power from one class of people to another, it will be seen that an increase in real wages—or an improvement in the country's standard of living which is the same thing—can spring only from an increase in efficiency. It has been contended that many of our fundamental ills spring from the fact that in the past too great a proportion of the fruits of efficiency has been commandeered by the capitalist and too little has gone to labor. There is probably a good deal of truth in this—we know, for example, that over the years the owner of the machine has done better than the men who operated it, although the latter's standard of living has risen slowly but surely. Whether this be so or not, however, the efficiency factor marks the limit beyond which it is dangerous for labor to push its demands. Demands for increased wages beyond the point warranted by efficiency inevitably brings higher prices and a contraction of purchasing power.

With this as a background it may be asked whether the present flood of increased wages is, on the whole, justified when weighed against the general good of the country. The answer seems to be clearly in the affirmative. During the years of depression, manufacturing, distribution, transport and communication efficiency was vastly increased. As we began to emerge from the darkness, virtually all the benefits of this increase in efficiency found its way into corporate treasuries. Generally speaking, it may be said that labor has waited during four years of business recovery without receiving more than depth-of-depression pay. In the meantime the cost of living has risen in the neighborhood of twenty per cent.

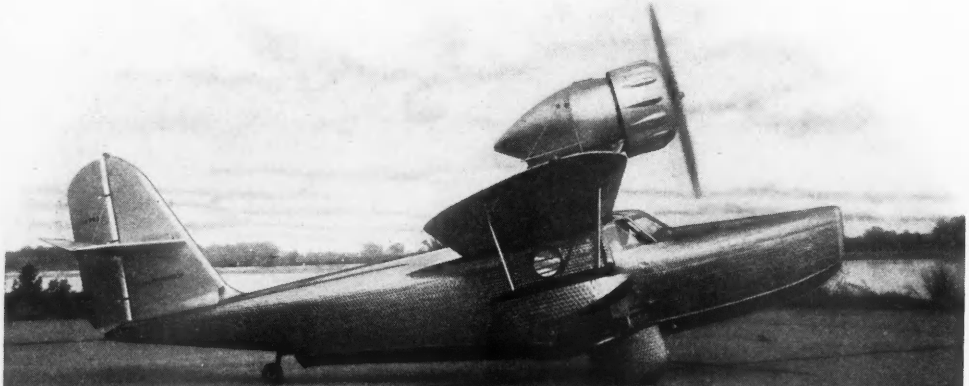
Now Labor's Turn

It was, of course, sound economics to replenish depleted corporate treasuries and to liquidate depression-contracted obligations. Also, from the social viewpoint, it is probably just that the elderly and dependent should receive something on which to live before giving the able-bodied worker higher wages. Not the least of the pities is that the Federal Government had to interfere with the building up of corporate strength by the tax on undistributed profits and it is not unlikely to be found, when history reviews this tax, that it had an unfavorable effect upon wages. Nevertheless, despite this obstacle, it must now be held that the need for corporate strength has been generally satisfied and that by-and-large stockholders have received all they are entitled to receive before sharing further gains with labor.

It is, indeed, in the stockholders' own interests that wages now be revised upwards. Only by doing this can industry hope to create that mass market essential to the absorption of its output. Profits from this point should by all means be shared liberally with labor. Admitting that it is often *(Please turn to page 254)*

The Investor in the Alloy Age

BY WILLIAM P. BLACK



Courtesy Electro Metallurgical Co.

The new all-stainless steel amphibian, "Sea Bird," launched September 29 at Bristol, Pa.

ANTHROPOLOGISTS have given us names for the first three stages in man's long struggle from savagery to civilization. By the materials used in the implements of war and peace, the three periods are known as the Stone Age, the Bronze Age and the Iron Age. Many designations have been suggested for the present period. Most popular among them have been the Machine Age, the Petroleum Age and the Electrical Age.

A more recent suggestion has been the Alloy Age. If we would follow the lead of the anthropologists, this is the name that should stick. For our implements of war and peace are no longer made largely from iron or its progeny, carbon steels, but from a great variety of mixtures of two or more metallic elements. These alloys, it is true, are built from an iron, copper or aluminum base, as the case may be, but in their physical properties and in the uses to which they may be adapted, they differ greatly from the pure metal.

Metallurgists have adopted the technique of the accomplished chef. They have mixed and blended ingredients never before assembled in the same pot. Modern industry has lapped up these concoctions and hungrily demanded second helpings. Alloys have replaced ordinary carbon steels in almost every field from a razor blade to a Pullman car. Similarly, they have cut heavily into the foundry trade where grey iron and carbon steel formerly predominated.

Tracing the beginnings of the advance of the alloys leads one into disputed ground. Technically, the originator of alloys was the bearded Babylonian or Assyrian who first combined copper and tin to introduce the Bronze Age around 2500 B.C. From the standpoint of alloys as we know them, the origin should probably be placed with the invention of stainless steel in the English cutlery trade early in the present century. This could be argued by the metallurgist who first added manganese to carbon steel some time before. The product of the latter, however, contained such a small proportion of the added element that it failed to gain the name of alloy steel.

In any case, the real impetus to alloy production came with the World War. Metallurgists were turned loose with unlimited funds for research and experiment in the arsenals and ordnance factories of the warring nations. Specific problems were laid before them and alloys were demanded that could withstand the punishment that had broken carbon steels. Undreamed of performance was given by many of the resulting mixtures.

After the war, the great peace time automobile industry laid its hand on the collars of these metallurgists. Metals of greater strength, toughness or hardness than carbon steel were demanded for engine parts, steering knuckles and so forth. A saving in weight, without sacrifice of strength, and surfaces that would not corrode were also needed. Metallurgists such as C. Harold Wills of Wills-Ste. Claire fame and Alan Kissock of Climax Molybdenum responded with vanadium and molybdenum steels. Later, Harold P. Furlong of Molybdenum Corp. of America introduced alloying elements into grey iron castings and A. L. Boeghold of

General Motors turned out a variety of alloy steels for severe service jobs.

Today's automobile is a true product of the Alloy Age. From its transmission gears to its body hardware, it is filled with alloy parts. Nickel, chromium, manganese, molybdenum and vanadium are all used. There is even talk of doing away with body paint through the use of stainless steel containing a dash of cobalt for color effects.

To the layman, stainless steel is the most familiar of all the alloy steels. From small beginnings in the cutlery trade, it ascended far into the sky to decorate the Empire State building. It is indispensable to modernistic furniture and store fronts, to the chemical, food and many other industries. With any appreciable reduction in cost, which may be obtained through current experiments to produce it in open hearth furnaces, stainless steel demand should quickly double or treble. Some steel men have prophesied that one-half of the country's total steel production will eventually be stainless or rustless.

Meanwhile, the heaviest tonnage in alloy steels is in the so-called low alloys where the percentage of the alloying element stops at about 2. Among the better known are U. S. Steel's "Cor-Ten" of 0.50 to 1.50 chromium, Republic's "Double Strength" of about .75 nickel and 0.11 to 0.16 molybdenum and Youngstown's "Yoloy" of about 2.00 nickel. Most of the automobile engine parts, previously mentioned, utilize low alloy mixtures. Others are made of the intermediate alloys that include the 4 to 7 per cent chromium steels and the 2.75 to 3.75 nickel steels. Steels for high temperatures, such as Bethlehem's "Super-temp" chromium-tungsten steel, are other intermediate alloys. Allegheny Steel is the largest producer of high alloy steels.

Listing all the uses of alloy steels would require a book of many pages. Armor piercing machine gun bullets are made with a molybdenum content. Thousands of pounds of nickel and chromium are used in the steel of a modern battleship. Dipper teeth of electric shovels are usually a hard chromium steel. Mine skips and hoisting cages have been made entirely of nickel steel. The oil industry is a heavy user of alloys for drilling tools and refinery equipment. And so on through the catalogue of America's war and peace time industries.

For the investor, who would profit from the advance of the alloys, there are two alternatives. He can choose the stocks of primary producers of the alloying elements and thereby gain some measure of inflation protection. Or, he can buy into the companies making the finished product. In alloy steels, the principal alloying metals are nickel, chromium, manganese, molybdenum tungsten and vanadium. In a broad sense, it might be said that nickel, chromium and molybdenum are gaining ground the most rapidly, manganese and tungsten are holding their own, while vanadium is falling somewhat behind. Producers and leading manufacturers of alloys, whose stocks are readily accessible to Americans, are listed in the table on page 208.

Producers of alloying metals furnish their products to alloy steel manufacturers in the form of ferro-alloys, an electric furnace mixture of iron and alloying element suitable for introduction into molten steel at convenient temperatures. Union Carbide is the country's largest supplier of ferro-alloys, buying alloying metals other than vanadium from outside foreign and domestic producers. Minor elements in alloy steels, such as cobalt, titanium, bismuth, columbium, tantalum and zirconium, carry no particular appeal for the investor as yet.

In the manufacturing end, alloy steel is no longer confined to specialists. All of the important steel companies are now engaged in its production to a greater or lesser degree. Of the larger companies, Republic has the greatest stake with an estimated one-seventh of its total capacity devoted to alloys. Jones & Laughlin is probably the least involved of the leading steel companies. In addition, there are a number of smaller concerns whose main business is alloy steel.

Entering the non-ferrous alloy field, one finds an even greater variety of mixtures than in the ferrous. The two principal bases upon which non-ferrous alloys are built are copper and aluminum. Both of these metals, incidentally, are used in small quantities in alloy steels. But, in their own right, they are responsible for a long list of alloys.

Copper, of course, was the pioneer metal in alloys, with bronze being created by means of a small addition of tin. Mixed with zinc, it later gave brass to the world. In recent years, many other elements have been added to copper to produce various types of bronze and other copper alloys. Among the added elements are several of those also used in steel alloys, e.g., manganese, chromium, nickel, titanium and the

Courtesy Allegheny Steel Co.

Start of a "tap" of steel at the Allegheny Plant, Breckenridge, Pa.

non-metallic element, silicon. Others include lead, aluminum, cadmium, beryllium and magnesium.

Excepting brass, most of the copper alloys use relatively small amounts of the other elements. Nickel, however, is used up to 20% and 30% in mixtures called "Ambrac" and "Supernickel." International Nickel's well known Monel metal, which covers the roof of the Pennsylvania station in New York, is made with nickel as the primary and copper as the secondary metal in the proportion of about two to one.

Some idea of the quality of Monel metal may be obtained by the fact that the roof over the Pennsylvania station was installed more than twenty-five years ago and has proved so satisfactory that additional tonnage was recently ordered for areas not originally covered by this metal. The New York Public Library has also arranged for the installation of a Monel metal roof. The metal is coming into increasingly wide use in the home through its use in the construction of hot-water tanks, range boilers, sinks, cabinet sinks and gas and electric hot-water storage heaters.

For the investor, stocks of the big three domestic copper producers, Anaconda, Kennecott and Phelps Dodge, offer participation not only in the mining of the primary metal but also in the fabrication of the finished alloy. Revere Copper & Brass specializes in copper alloys. Principal producers of cadmium now widely used in alloys and in plating iron parts to prevent rusting, are Anaconda and American Smelting & Refining Company.

Aluminum alloys are built up through the addition of zinc, copper, iron, lead, tin, nickel, manganese, chromium and silicon to the primary metal. The resulting combinations are much in demand in the automobile, aviation, electric appliance and die casting industries. Crank cases, engine parts, bearings, washing machines, vacuum cleaners and even Ford cylinder heads are made from aluminum alloys. A well known mixture is Duralumin with 4% copper and ½% each of manganese and magnesium.

Magnesium, one third lighter than aluminum, is also the basic metal for a number of alloys. Used with small additions of aluminum, zinc and manganese, it has been given the trade name, Dowmetal by its originator and producer, the Dow Chemical Company. These alloys enter many of the same fields as aluminum alloys and have an especial appeal for the aviation industry.

The remaining division of alloys, the babbitt metals, can be passed over quickly as the main components, tin and antimony, have little or no domestic production. Only Patino Mines of the primary producers is accessible to American investors. Other elements used have been previously mentioned, namely, copper, lead, nickel, cadmium and bismuth. *(Please turn to page 252)*

Leading Producers of Alloying Metals and Leading Manufacturers of Alloy Steels

Company	Alloy Products	Earnings per Share 1st 9 mos. 1935	Earnings per Share 1st 9 mos. 1936	Divs. Dec'd This Year	Price Range 1936 High	Price Range 1936 Low	Recent Price
American Rolling Mill	Cast, Ingot and wrought irons; chromium and low-carbon steels; chromium iron and chrome-nickel alloys	1.71	1.91	1.95	37	23¾	36
Bethlehem Steel	Chromium, low-carbon steels; high carbon stainless steels; chromium irons; and chrome-nickel alloys	Nil	1.01	None	76⅜	45¾	72
Republic Steel	Largest maker of alloy and special steels. Chromium, low-carbon steels, chromium irons and chrome-nickel alloys	0.28	1.10	None	26¾	16⅞	25
U. S. Steel	Chrome-nickel alloys, low-carbon steels, low-alloyed steels	Nil	1.25	None	79¾	46⅜	77
Youngstown Sheet & Tube	Low-alloyed steels	Nil	5.18	None	87¾	41¾	87
Crucible Steel	Low and high carbon steels, chromium irons, chrome-nickel alloys and highly alloyed metals	Nil(b)	0.86(b)	None	56¾	28	52
Ludlum Steel	Highly alloyed metals, chrome-nickel alloys, stainless steels and low carbon steels	1.14	1.30	1.00	35	22¼	29
Allegheny Steel	Foremost maker of stainless, low-carbon steels. Also chromium irons and chrome-nickel alloys	0.93	1.49	1.25	40⅜	26⅞	38
Union Carbide & Carbon	Leading producer of ferro-alloys used for introducing non-ferrous metals into steel	1.86	2.61	2.30	104½	71⅝	104
International Nickel	Leading producer of nickel. Makes nickel alloys and alloyed irons	1.14	1.75	1.30	66	43¼	66
Climax Molybdenum	Largest producer of molybdenum, an important and growing alloying metal	NF	NF	0.80	Unlisted		36
Dow Chemical	Maker of Dowmetal, a magnesium alloy	3.32(a)	4.42(a)	2.20	135	94⅛	132
Vanadium Corp.	Controls world's largest supply of vanadium. Produces chromium, silicon and other alloying metals	Nil(b)	0.11(b)	None	27¼	16¼	24
Aluminum Co. of America	Owns largest bauxite deposits and leading maker of aluminum alloys	NF	NF	None	152	87	132
Revere Copper & Brass	Copper and copper base alloys	Nil	0.39	None	26¼	10	26
Anaconda Copper	American Brass subsidiary a large producer of copper and copper base alloys	0.91	1.15	0.75	55⅜	28	53
Kennecott Copper	A subsidiary, Chase Copper & Brass, produces large quantities of copper and copper base alloys	0.32(b)	0.84(b)	1.70	63⅜	28¼	61
National Lead	Large producer of lead alloys	0.53(b)	0.57(b)	1.00	36	26⅜	36
American Smelting & Refining	Produces lead alloys. Owns large interest in Revere Copper & Brass	1.51(b)	3.01(b)	4.05	103	56¾	101

(a)—Fiscal year ended May 31. (b)—6 mos. to June 30. NF—Not available.

Gendreau

Air view of Rio de Janeiro, Brazil, and part of the harbor

Our Stake in Latin America

BY DR. MAX WINKLER

— Business
— Political
— Investment

ALMOST exactly eight years ago, President elect Herbert Hoover entered upon a tour through a number of countries south of the Rio Grande for the purpose of obtaining "a clearer conception of the situation obtaining in the various Latin-American republics." In an address at Lima, capital of the Republic of Peru, Mr. Hoover stated:

"I have had the hope and the aspiration that I could serve in some way to further reinforce the structure of peace and friendship, the unity of ideals which have remained unbroken since the birth of our republic. I have thought that I could better prepare myself for the task by a widened knowledge of the men and problems of our sister republics."

It is sadly ironical to think that Mr. Hoover's observations at Lima synchronized with the approval by his State Department of a loan of $23,000,000 to the Republic of Bolivia, the proceeds from the sale of which were to be employed to pay for war supplies and ammunition which the Republic had ordered from the British firm of Vickers, Ltd., and to build a military road along the Paraguayan border. While Mr. Hoover was endeavoring to "reinforce the structure of peace" his associates were enabling our neighbors to start hostilities.

Conditions have undergone a profound change within the past eight years. The American republics are gradually recovering from the effects of the economic crisis, and given peace and tranquillity should be able to develop their vast resources, thus creating a period of prosperity which is fully warranted by the extent of their natural riches and the energy and industry of the people. The United States is in a position to aid the other twenty American republics in attaining the above objective and it is doubtless with this in view that the nation's Chief Executive is attending the forthcoming Inter-American Conference which convenes at Buenos Aires December 1.

America's interest in her neighbors is more than academic. Well over five billion dollars of American funds are invested in the obligations of Latin-American governments and their subdivisions as well as in plants and properties located within the various Latin-American countries. Of the former substantially more than one and one-half billion dollars are outstanding in the United States, and only slightly more than one-fifth is receiving interest in full, while more than 40 per cent is in complete default, the remaining 40 per cent being serviced only in part. Peace and the organization of an effective peace machinery for the Western Hemisphere are expected to occupy an important part of the agenda. This is in line with recent remarks by President Roosevelt:

"Among the nations of the great Western Hemisphere, the policy of the good neighbor has happily prevailed. At no time in the four and one-half centuries of modern civilization in the Americas has there existed . . . a

The Status of Latin American Dollar Bonds

	Fed. Govt.	Provinces	Municipalities	Total
ARGENTINA				
Amount Issued	$289,800,000	$102,601,500	$28,017,000	$420,418,500
Amount Outstanding	247,200,000	73,000,000	16,400,000	336,600,000
Amount Rec. Full Int.	247,200,000	5,800,000	12,700,000	265,700,000
Amount Rec. Partial Int.	....	67,200,000	3,700,000	70,900,000
BOLIVIA				
Amount Issued	68,400,000	....	....	68,400,000
Amount Outstanding	59,422,000	....	....	59,422,000
Amount in Complete Default	59,422,000	....	....	59,422,000
BRAZIL				
Amount Issued	198,300,000	171,610,000	71,590,000	441,500,000
Amount Outstanding	166,500,000	123,000,000	57,600,000	347,100,000
Amount Rec. Full Int.	21,800,000	20,000,000	....	41,800,000
Amount Rec. Partial Int.	144,700,000	101,000,000	57,600,000	303,300,000
Amount in Complete Default	....	2,000,000	....	2,000,000
CHILE				
Amount Issued	247,912,000	....	21,200,000	296,112,000
Amount Outstanding	244,160,000	....	20,500,000	264,660,000
Amount in Complete Default	244,160,000	....	20,500,000	264,660,000
COLOMBIA				
Amount Issued	79,000,000	67,350,000	26,085,000	172,435,000
Amount Outstanding	65,001,000	60,000,000	22,150,000	147,151,000
Amount Rec. Full Int.	3,000,000	....	....	3,000,000
Amount in Complete Default	62,001,000	60,000,000	22,150,000	144,151,000
COSTA RICA				
Amount Issued	11,397,956	....	....	11,397,956
Amount Outstanding	10,400,000	....	....	10,400,000
Amount in Complete Default	10,400,000	....	....	10,400,000
CUBA				
Amount Issued	180,500,000	....	....	180,500,000
Amount Outstanding	103,700,000	....	....	103,700,000
Amount Rec. Full Int	63,700,000	....	....	63,700,000
Amount in Complete Default	40,000,000	....	....	40,000,000
DOMINICAN REPUBLIC				
Amount Issued	20,000,000	....	....	20,000,000
Amount Outstanding	12,100,000	....	....	12,100,000
Amount Rec. Full Int.	12,100,000	....	....	12,100,000
ECUADOR				
Amount Issued	12,282,000	....	....	12,282,000
Amount Outstanding	10,722,000	....	....	10,722,000
Amount in Complete Default	10,722,000	....	....	10,722,000
GUATEMALA				
Amount Issued	2,515,000	....	....	2,515,000
Amount Outstanding	2,200,000	....	....	2,200,000
Amount Rec. Partial Int.	2,200,000	....	....	2,200,000
MEXICO				
Amount Issued	151,246,300	6,750,000	4,300,000	162,296,300
Amount Outstanding	151,246,300	6,750,000	4,300,000	162,296,300
Amount in Complete Default	151,246,300	6,750,000	4,300,000	162,296,300
NICARAGUA				
Amount Issued	2,500,000	....	....	2,500,000
Amount Outstanding	2,500,000	....	....	2,500,000
Amount Rec. Full Int.	2,500,000	....	....	2,500,000
PANAMA				
Amount Issued	19,500,000	....	500,000	20,000,000
Amount Outstanding	17,400,000	....	400,000	17,800,000
Amount Rec. Full Int.	3,700,000	....	400,000	4,100,000
Amount in Complete Default	13,700,000	....	....	13,700,000
PERU				
Amount Issued	90,000,000	1,500,000	3,000,000	94,500,000
Amount Outstanding	81,300,000	1,200,000	3,000,000	85,500,000
Amount in Complete Default	81,300,000	1,200,000	3,000,000	85,500,000
SALVADOR				
Amount Issued	16,500,000	....	....	16,500,000
Amount Outstanding	12,600,000	....	....	12,600,000
Amount Rec. Partial Int.	12,600,000	....	....	12,600,000
URUGUAY				
Amount Issued	56,586,000	....	11,171,000	67,757,000
Amount Outstanding	52,947,500	....	10,400,000	63,347,500
Amount Rec. Partial Int.	52,947,500	....	....	52,947,500
Amount in Complete Default	....	....	10,400,000	10,400,000
TOTAL LATIN AMERICA				
Amount Issued	1,490,969,756	349,811,500	165,863,000	2,006,644,256
Amount Outstanding	1,249,198,800	262,750,000	134,800,000	1,646,748,800
Amount Rec. Full Int.	363,800,000	25,800,000	13,100,000	402,700,000
Id., in % of total	24.40	7.37	7.89	20.13
Amount Rec. Partial Int.	212,447,500	168,200,000	61,300,000	441,947,500
Id., in % of Total	30.47	72.99	55.72	39.77
Amount in Complete Default	672,951,300	68,750,000	60,400,000	802,101,300
Id., in % of Total	45.13	19.64	36.39	40.10

greater spirit of mutual understanding, of common helpfulness and of devotion of the ideals of self-government than exists today. . . . There is neither war nor rumor of war nor desire for war . . . the inhabitants of this vast area believe in, and propose to follow, the policy of the good neighbor."

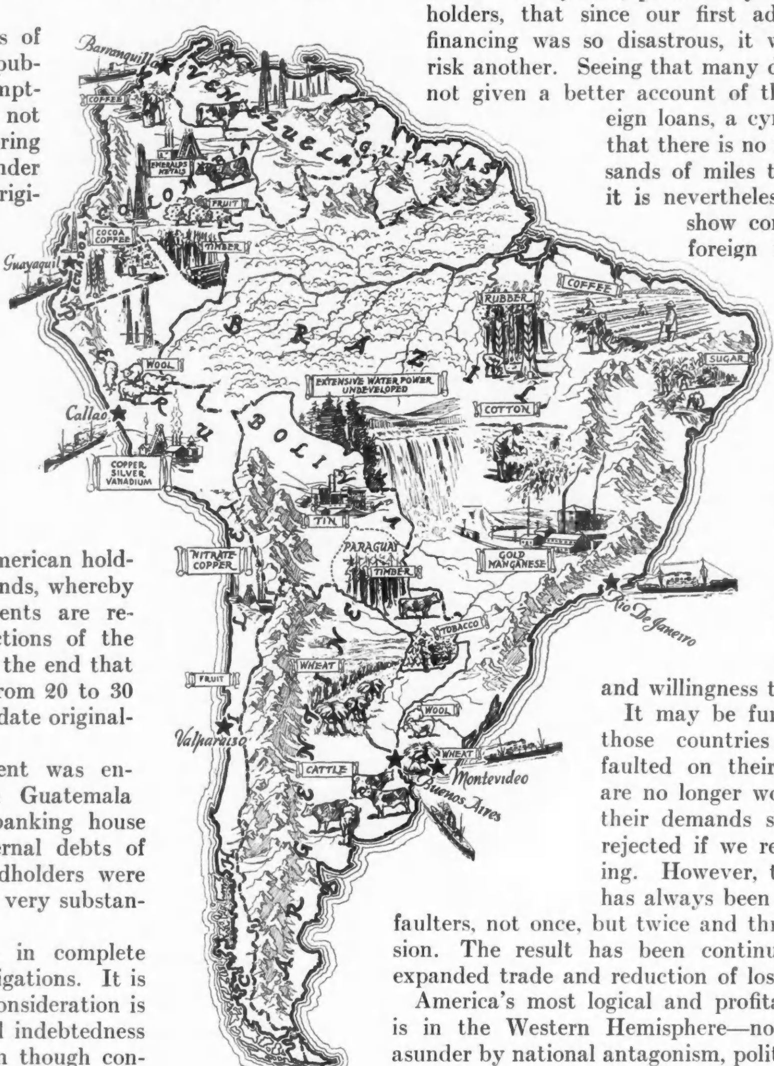
Examination of the budgets of our southern neighbors does not convey a very gratifying picture to those who are genuinely interested in the promotion of peace. Nineteen of the twenty Latin-American republics spend annually well over 170 million dollars for military purposes. If the forthcoming peace conference is going to accomplish what its sponsors hope to achieve, all the money which is now being expended for distinctly non-productive purposes might be utilized in the future for constructive and revenue producing projects. It is worth bearing in mind that 170 million dollars is well over 10 per cent on the total of Latin-American government, state and city debts, owing to the American investors, institutions as well as individuals. Argentina and Haiti are the only Latin-American governments which are promptly and faithfully meeting the full service on their direct and contingent obligations. However, most of the political subdivisions within the Republic of Argentina, including the leading provinces, are either in complete or partial default. Bolivia continues in complete default on all her external engagements. Brazil, as well as the leading political subdivisions, are in partial default with respect to their commitments, while some of the provinces and municipalities continue in complete default.

Chile is in complete default on her outstanding debt; the recent proposal to pay a mere fraction of the interest due bondholders is virtually equivalent to outright repudiation. Colombia as well as all political sub-divisions continue in complete default. The same is true of Ecuador and Peru. The Republic of Uruguay is in partial default with respect to its outstanding dollar bonds, while the capital and principal city, Montevideo, is in complete default on its dollar debt. Venezuela has the unique distinction of being the only country in the Western Hemisphere without any foreign debt.

Costa Rica, which had entered into

an agreement with a group, presumably speaking for the American holders of Costa Rican obligations, whereby interest on the outstanding debts of the Republic was to be paid at the rate of 50 per cent of the amount stipulated in the original loan agreement has once again found it necessary or convenient to disregard rights and privileges of American creditors. Cuba continues in complete default on the so-called Public Works $5\frac{1}{2}$s of 1945 although the revenues specifically hypothecated for the service of the bond issue are substantially in excess of requirements.

Interest on bonds of the Dominican Republic has been met promptly to date, which is not surprising considering the circumstances under which bonds were originally floated and also the protection which bonds enjoy, due to the supervision of the Republic's financial and economic affairs by the U. S. Government. However, an agreement was signed in the summer of 1934, presumably for the benefit of American holders of Dominican bonds, whereby sinking fund payments are reduced to mere fractions of the original amounts, to the end that bonds will mature from 20 to 30 years later than the date originally fixed.



A recent agreement was entered into between Guatemala and an American banking house relative to the external debts of the Republic. Bondholders were called upon to make very substantial concessions.

Mexico continues in complete default on all its obligations. It is of interest that no consideration is given to the external indebtedness of the Republic even though conditions in the country have improved sufficiently to warrent resumption of payments.

The Republic of Nicaragua appears to be meeting interest on its external loans while El Salvador is discharging only part of the interest stipulated in the original loan agreement. Panama is in complete default with respect to more than three-quarters of her direct and contingent commitments.

If, as is confidently expected, the Buenos Aires Conference will result in the creation of an effective peace machinery for the Western Hemisphere, justifying our southern republics drastically to reduce excessive military expenditure, holders of Latin-American obligations will be justified in viewing the future of their commitments with a considerable measure of optimism. With United States-Latin-American commerce showing a substantial balance of trade in favor of Latin-America, it appears that the United States is a far more logical place for the southern republics to seek financial accommodations than Great Britain, which is still selling more in the aggregate to Latin-American republics than she is buying them.

It will be objected, particularly by victimized bondholders, that since our first adventure in foreign financing was so disastrous, it would be foolish to risk another. Seeing that many domestic issues have not given a better account of themselves than foreign loans, a cynic might point out that there is no need to travel thousands of miles to lose money. But it is nevertheless quite possible to show convincingly that the foreign investments of the United States have actually resulted in real and tangible benefits to the country at large. The marked expansion in America's foreign trade during the years 1920-30 and the resultant profits to the American are directly traceable to America's ability and willingness to invest abroad.

It may be further objected that those countries which have defaulted on their dollar obligations are no longer worthy of credit and their demands should therefore be rejected if we resume foreign lending. However, the London market has always been ready to assist defaulters, not once, but twice and three times in succession. The result has been continued good relations, expanded trade and reduction of losses.

America's most logical and profitable field of action is in the Western Hemisphere—not in Europe, torn asunder by national antagonism, political animosity, and racial hatred, now reverting to a state resembling that of quattrocento Italy, with all her horror and misery but without the saving grace of her effulgence and glory; not in a continent where debt covenants are hedged around by political conditions calculated to undermine the lender's own economic structure. But in extending credits to our southern neighbors we must contrive some means to insure that they will be used for the financing of constructive and strictly revenue-producing projects, affording a stimulus for the maintenance of America's commerce and providing new sources of income for the faithful discharge of whatever obligations we may enable our neighbors to contract.

Happening in Washington

BY E. K. T.

WASHINGTON SEES

Administration seeking to spread recovery benefits.

Future economic legislation based on controlling and guiding business activity.

Tax revision seriously considered.

Efforts to prevent business improvement from causing speculative boom.

Increased co-operation between business and government.

Farm program far from decided.

Permanent relief and employment program being drafted.

Preparation for Congress, month hence, now occupies administrative officials during President's absence. Annual reports released currently make some suggestions for new legislation, more will be made in January. No definite slate of legislation is being made up, none is expected, but on his return to Washington the President may round up a few of his aides' suggestions for inclusion in message to Congress.

Trend of New Deal next four years will not be blueprinted in advance but will be unfolded from time to time. Thus, relief and works program for coming year will not be in the budget but will be presented to Congress in the spring.

Roosevelt's economic objectives center around making business improvement steady and diffuse, flattening out business cycle and insuring larger number of individuals benefits of prosperity. Little, if any, revolutionary legislation felt needed to accomplish this as existing New Deal laws form a good framework. Old laws therefore will be tested against this objective and strengthened or weakened accordingly.

"Return of prosperity" officially noted by President in using this phrase in letter to A. F. of L. Convention. It is significant. Means "depression emergency" no longer will be used to jam through reforms. Basis of future reforms will be plea to keep prosperity on even keel, prevent speculative inflation, give workers and stockholders greater share of wealth as currently produced by nation's industry.

Tax revision prospects, judged by above formula, call for retention of principle of undistributed corporation surplus tax because (a) it distributes the wealth and (b) it has a tendency to force plant additions to come from new borrowings rather than from withheld earnings, thus putting big and small companies on more even basis for expansion and providing the check of the collective investing public's judgment as to wisdom of particular expansion plans.

However, Congress may modify this tax somewhat, especially to permit deduction for earnings ploughed back in business, within certain limits, and to aid companies who can show need to divert earnings from stockholders to capital or debts.

Capital gains tax will be measured by same yardstick—i.e., effect on stability and spread of recovery. Feeling in administration circles now is that this tax prevents natural leveling off of securities market because big holders can't afford to sell at current high quotations on account of tax liability. Outright repeal not expected (would entail big revenue loss) but several forms of modification being discussed.

"Boom psychology" is feared by the administration. Officials don't want gratifying current high security prices to develop into run-away speculation. But on other hand they don't want to discourage sound business expansion and optimism. *Every means by which government can influence credit and market conditions will be used to prevent speculative inflation, including Federal Reserve open market policy, excess bank reserves, margin requirements, S E C regulations, foreign exchange control.*

Budget plans, nearly completed before President left the Capital, include no drastic cuts in outgo but will stress increased revenue side, forecasting early end to borrowings. Message probably will be reversal of policy

of last three of purposely predicting high national debt.

Co-operation with business is being sought by the administration in various ways, direct and indirect. Word has been passed that business men will not be "in dutch" with the administration if they find it inconvenient to attend meeting of Council for Industrial Progress called by Major Berry to coincide with New York conferences of industrial leaders.

Excess bank reserves now constitute greater problem than last summer when reserve requirements were raised. If present situation continues into January Reserve Board may be expected to boost requirements again and reduce Reserve system's holdings of government securities.

Freight rate question will be open matter before I. C. C. for many months as result of commission's triple action in denying carriers right to file higher rate schedules despite scores of outstanding orders, setting hearing on matter of making these increases in regular fashion, and reopening question of continuing emergency surcharges beyond present expiration date December 31. This gives shippers and carriers about even breaks. Roads have chance to secure additional revenue on showing of need to meet costs, but must justify proposals in face of opposition from shipping interests.

Social Security validity under federal constitution was not decided in New York unemployment insurance law case before Supreme Court. This will come later. Meanwhile decision may spur other states to enact similar statutes and other social legislation. Feature of New York law was that it did not rest on federal social security law, although several similar state plans are so worded as to cease if federal law ceases. Situation therefore is that a state can tax for unemployment benefits but still questionable whether federal government can force such laws as it is now doing through payroll tax.

Heavy penalties on both employers and employees for failure to register promptly under old age section of social security law will not be imposed because of enormity of task and short time involved.

Farm Program for 1937 still undetermined. Administration wants to try crop insurance on wheat as experiment. Farmers approve but only lukewarm; many insist on production control and cash benefit payments either for soil conservation or acreage reduction as under invalidated A A A.

Aid for tenant farmers and sharecroppers will be big issue in next Congress. Bankhead bill for government to sell farms to tenant, Tugwell plan for federal mortgages to tenants, Wallace idea for less costly and extensive help all being considered by special committee appointed by President.

Tugwell's resignation means: removal from public life of chief "brain truster" rightly or wrongly believed by business to be source of most radical economic reform ideas of administration; less prominence "class room theorists" in New Deal circle; division of Resettlement Administration among several departments; improved chances for enactment of mild and workable food and drug bill.

Better sharing of nation's income, the President holds, must go hand in hand with increase in prosperity if recovery is to be permanent. Here are the controls designed to accomplish it:

(1) Continued high taxes on individual and corporation income to permit government to "distribute the wealth" to less fortunate; (2) more or less permanent relief and public works program at federal expense; (3) aid to tenant farmers; (4) subsidized slum clearance and low-cost housing; discouragement of huge corporation salaries; (5) minimum wage standards; greater employment spread through elimination of child labor and reduction in hours; low interest rates; (6) fostering small business units as against monopolistic tendencies.

Permanent unemployment program is in formulation, but with more deliberation than characterized discussion in earlier years. Administration still feels that industry is not doing all possible to employ more. Work relief, C C C, will be continued in some form, perhaps with more local co-operation, more effort to restrict to most needy, though attitude persists that government is responsible to see that all have jobs. Program of major public works will also be continued. Some form of census or registration of unemployed will be adopted.

Show-down on power policy of government still distant as utility executives insist administration define aims, methods and scope of attempts to reduce electric rates. On this issue liberals and moderates in New Deal circles are more divided than on any other.

Major utility holding companies are not expected to register under holding company law despite hopes of S E C officials following registration of one such.

Company unions are target of recent Labor Board rulings. N L R B seems determined to go limit of Wagner act to prevent employers using shop committees as foil for union organization, probably to offset strength of company unions in steel and auto plants.

Housing coordination now seems probable. While administration will insist on federal aid to municipalities for low-cost housing, there is increased disposition to work with private industry to avoid harmful competition and to decentralize supervision, giving local powers more authority.

Timken Roller Bearing Appraised

BY WARD GATES

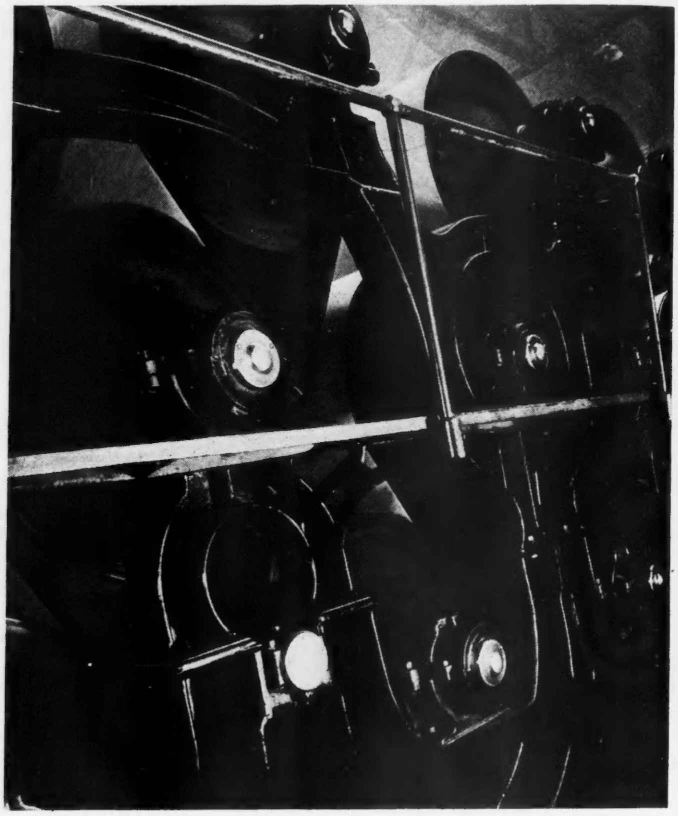


Photo from Nesmith

Timken Roller Bearings are being used more and more in paper making machinery and other industrial equipment.

The unique bearings made by the Timken Roller Bearing Co. have long had a profitable market in the automobile industry and are increasingly used in railroad cars and locomotives, and in a great variety of industrial machinery. For added diversification, Timken also makes premium-quality specialty steels, seamless tubes and a patented rock bit.

Therefore Timken may be considered a motor accessory company, a railroad equipment company, a steel company and a machine tool company. While the bulk of its profits are still derived from the motor industry, it is self-evident that the concensus of investment and speculative opinion holds that there are dynamic possibilities in its railroad and industrial outlets—self-evident because the market accords to Timken a much higher appraisal of current earnings per share than it does either to other so-called motor accessory stocks—many of which likewise are no longer wholly dependent on the automobile trade—or to the leading motor stocks.

Thus, Timken is expected to earn approximately $3.75 per share this year and is currently priced at 73, which is more than 19 times earnings. General Motors, itself substantially diversified but still getting most of its profits out of automobiles, is priced at only 12 times earnings. Borg-Warner, which has carried diversification to the point where more than 40 per cent of its volume is outside of motor products, is priced at less than 14 times earnings per share.

Evidently the market not only thinks that for the longer future Timken's best bet for expansion of earnings is in its non-automotive business but that its prospective railroad and industrial markets are a better bet than the consumer markets at which General Motors and Borg-Warner chiefly aim with their electric refrigerators and other non-automotive products.

On any other reasoning one would have to conclude that the stock market consensus is haywire—as it sometimes may be—and that Timken shares are quite generously priced.

It is true that recovery in the motor industry has been mainly responsible for the sharp recovery in Timken earnings over the past two years and was chiefly responsible for the stock's 1935 advance from a low of 28⅜ to a high of 72½—a high exceeded only recently after a rather quiet 1936 range between 56 and 74½.

It is also probably safe to assume that the motor industry will have a 5,000,000-car year in 1937 and that this will further improve Timken earnings—but the *automobile prospect* is more than discounted in the present quotation of Timken stock, since it is relatively much higher than either General Motors or Chrysler.

Hence, if you buy this equity, you should be well aware that you are betting on its potentialities outside

of the motor industry. To make that still clearer, it is evident—although Timken does not publish sales figures—that its motor business is bigger than it was in 1929, but earnings per share in 1929 were $5.88 as against estimated $3.75 for this year. Lower prices on motor bearings obviously enter the picture. Timken's two big motor customers are Chrysler and Ford, both hard bargainers. General Motors makes its own bearings. Chrysler sales this year will equal or exceed $675,000,000, as compared with only $375,000,000 in 1929. Ford dollar sales are not published, but even allowing for a smaller percentage of the total market than this company had in 1929—probably some 26 per cent against 34 per cent in 1929—it is clear that Chrysler-Ford business combined, the present biggest market for Timken, is fully equal to or above the 1929 level, while Timken earnings, as estimated for this year, are more than 50 per cent under their 1929 high.

Of course, lower profit margins on motor business are not the whole story. Timken's non-automotive products are largely dependent upon the demand for capital goods, which almost disappeared at the bottom of the depression and which still is sub-normal. By the same token, dynamic expansion in Timken earnings will depend on further expansion in capital goods, plus a larger application of Timken products in this revived market.

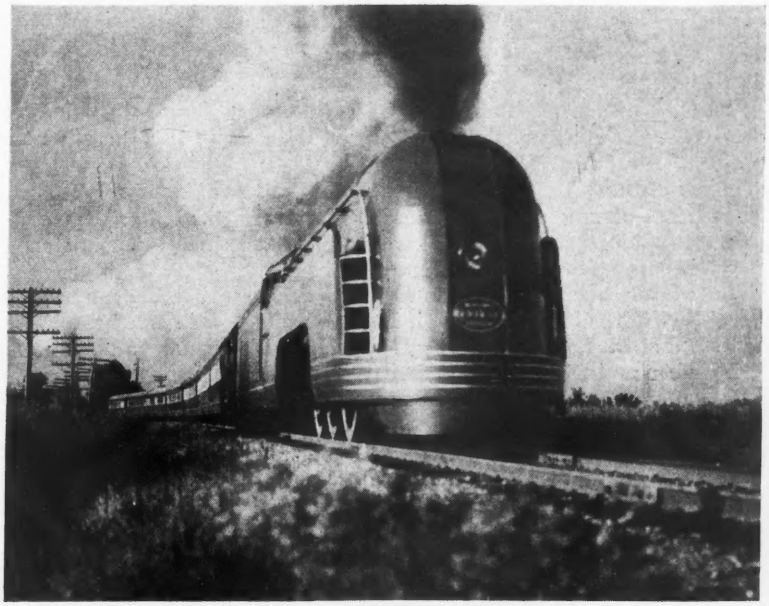
On the favorable side, the prospect for expansion of our capital goods industries is now the brightest in many years. The cumulative shortage in capital goods amounts to many billions of dollars. The sellers' markets already existent in some lines, with demand taxing production facilities, indicates very plainly that to serve expanding markets over the next several years there must be a great expansion in efficient facilities for manufacture and transportation. Spurring this expansion, on the one hand, is the great technical improvement in capital goods equipment developed in our industrial laboratories under the pressure of hard times, and, on the other hand, the urge for more economical production and transportation to offset the profit-curtailing tendency of rising costs of labor and materials.

Timken's non-automotive products will be a natural beneficiary of the coming phase of capital expansion, into which the present final stage of post-depression recuperation probably will merge during the coming year. At a minimum, there should be at least several years of capital goods expansion ahead—and, given sound administration of credit policy at Washington, there is no reason why our recaptured prosperity should not endure longer than most periods of past good times. It must be remembered that every industrial advance in the past culminated in a credit strain, with rising money rates. With the amount of credit going into the speculative markets rigorously limited for the first time in our history, and with the credit base far bigger than ever before, it is difficult to conceive of a shortage of industrial and business credit developing for many years. It is, of course, possible that unsound price policies or over-ambitious regulation of wages and hours could retard or limit capital goods expansion, but so far as the basic monetary factors are concerned there is no reason why this country will not achieve a level of economic activity surpassing that of 1929 by as big a margin as the 1929 activity surpassed 1919, or the 1919 level surpassed 1909.

Timken is in a position to make the most of favorable conditions. Its products in their smaller field enjoy a repute and a good will that may be likened to that attaching to such names as Westinghouse, or General Electric or General Motors. Its bearings, useful in the almost innumerable applications where friction must be overcome, are semi-monopolistic and are of such quality that the special steels which Timken has had to develop for its own use have readily found an added general market. The company's position has been further bolstered by aggressive national advertising and by vigilant and effective laboratory research.

Timken's earning capacity in relation to its property investment is unusually high. For example, in 1929 the company's capital facilities, less depreciation, were carried at $23,206,000 and net profit was $14,155,000. At the close of 1935 property account, less $18,632,000 depreciation reserve, was only $15,370,000 and profit for the year was $7,483,000. Cash or equivalent balance sheet items alone—amounting to more than $16,615,000 when last reported—exceed fixed investment. Current assets of $28,782,000 contrast with current liabilities of only $3,100,000, a ratio of better than nine-to-one.

Indeed, relative to the scope of its business, few companies have equalled Timken in maintenance of financial position. At the bottom year of the depression, 1932, working capital did not fall below $18,544,000—or only some $4,000,000 less than at the close of 1929—and by the close of last year working capital had reached a new high in the company's career at more than $25,683,000.

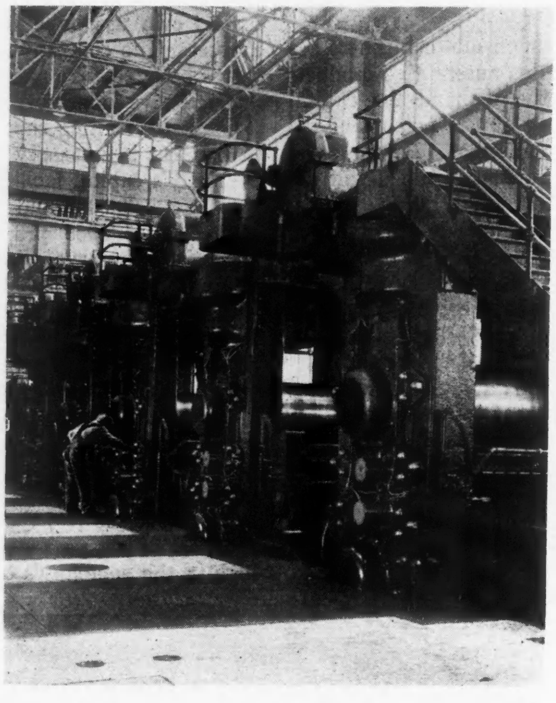


A New York Central Streamliner on Timken Bearings

Surplus account of $41,042,000 compares with $40,457,000 at the close of 1929. Hence the company's financial strength and liquidity are such as would dictate a generous dividend policy even were there no Federal tax on undistributed profits to lend a compulsory touch.

It is to be doubted that either present profits or those of 1929 are an accurate measure of Timken's ultimate earnings potentialities. The reason it is difficult, if not impossible, to estimate future earnings is that Timken did not have a chance to demonstrate maximum earning power on facilities expanded rapidly in the late years of the last boom before depression cut down volume. For the several years before 1929 the company plowed back large amounts of surplus profits into expansion of its alloy steel making capacity and its industrial bearings division; and at the same time engaged in costly experimental work with railroad bearings. Morever, extraordinary charge-offs in the years 1928 and 1929 tended to obscure actual profit-making ability.

Thus, when business activity fell away in the depression, Timken possessed manufacturing facilities with a much bigger earnings capacity than it had had opportunity to demonstrate. Nor has recovery in capital goods yet reached a point capable of employing those facilities at maximum. When they are again fully engaged—as we are convinced they will be over the next year or two—it is a reasonable surmise that the company probably will earn more than it ever did in the past, even allowing for lower rate of return on automobile business than was garnered in the 20's.



Modern high-speed continuous hot strip mill equipped with Timken Bearings on all back-up and work roll necks

Indeed, without stretching our imagination unduly, we can see probability of Timken earning $8 or $10 a share under favorable conditions—and it is this potentiality, rather than current earnings of less than $4 a share, that accounts for the current market quotation of 73.

Like Studebaker, the Timken business was born before the day of the motor industry, having been launched at St. Louis in 1898 by Henry H. and William R. Timken as the Timken Carriage Works. It was incorporated under the laws of Ohio in 1904 under the name Timken Roller Bearing Axle Co. The present name Timken Roller Bearing Co. was taken in 1909.

Advent of the motor car on a mass production basis was the making of the enterprise because use of anti-friction bearings was imperative and Timken's roller bearings were unique. The enterprise was for years a family affair—and source of a big family fortune—participation being offered to the public only in 1922 through sale of a one-third stock interest. The Timken family is still largely represented through H. H. Timken, chairman of the board of directors, and floating supply of the stock is not large, normal volume on the New York Stock Exchange recently having run only 8,000 to 10,000 shares a week.

Timken's entrance into the manufacture of alloy steels and commercial alloy tubes was a "natural." It needed high grade steels for its own use and it was necessary that it be assured of large supplies of uniform specifications. This was difficult as war demand boomed steel demand, so Timken started making its own alloy steels in 1915 with an initial capacity of 40,000 ingot tons a year. As the business expanded and new applications developed, Timken began to supply specialty steels to some of its bearings customers. Subsequent years brought rapid additions to electric furnace and open hearth steel making capacity and Timken became the largest electric furnace steel maker in the country. Its steel capacity by 1928 was 300,000 tons a year.

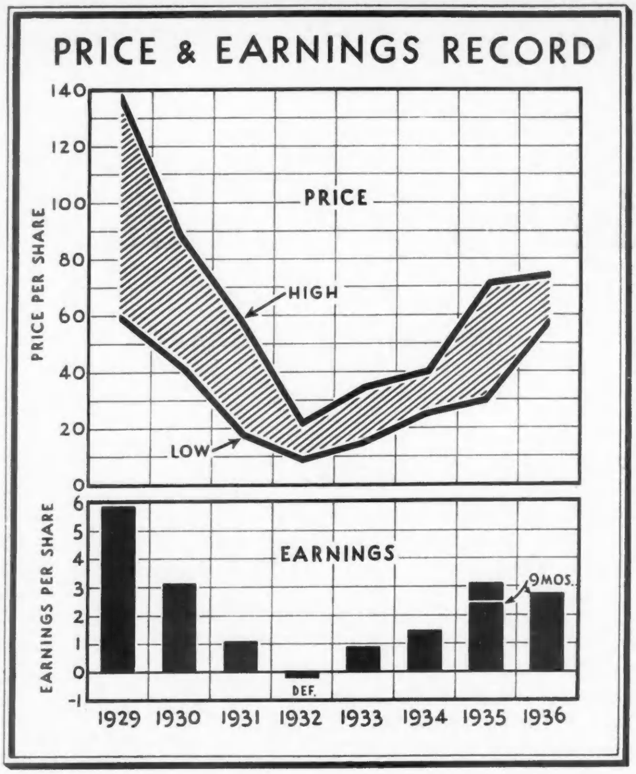
Similarly the expansion in tube making developed out of the company's own needs, Timken having early installed a mill to make the seamless tubes from which the cages are cut for spacing the rollers in Timken bearings. Use of alloy tubes in the petroleum industry grew rapidly during the late years of the 20's and this industry now constitute's one of Timken's most promising markets.

Use of roller bearings in railroad rolling stock is still in its infancy, though they are installed on several hundred locomotives and in several thousand passenger cars. The potentialities in this field, however, are large for the trend in railroading is toward radically improved rolling stock to meet the requirements of greater speed and more efficient service. Judging from the orders coming to hand during the past year of fast revival in railroad buying of equipment, Timken bearings are going to be increasingly specified in locomotives and cars and the volume of such new equipment will have to be large for several years to make up for the accumulated deficiency in serviceable locomotives and cars.

Statisticians, of course, have long been talking about the vast potential demand for modern, economical locomotives and improved passenger and freight cars. It has been estimated that for the period 1926 to 1929 the cost of operation of locomotives accounted for more than 30 per cent of the total railway operating expenses of the Class I roads. Obviously, this means that there

is opportunity for a huge saving by retiring obsolete rolling stock and replacing it with the more efficient equipment made available by rapid engineering progress during recent years.

One way to get cheaper service is to improve the motive power. This has been done, with much fanfare of publicity, in streamlined, Diesel-powered trains—but there has been just as great progress in the design of steam locomotives, which are still the work-horses of railroading. One side of this advance is to make more powerful engines. The other side, equally important, is to make the load easier to pull. That is where bearings come into the picture. It took a powerful ox to pull the ox-carts of our great grandfathers. That was not because the carts were so heavy but because of the drag of friction as wheels turned directly on axles—friction only partially overcome by repeated applications of axle-grease. If there had been Timken roller bearings between the wheel hub and the axle on those ancient carts they could have been pulled with the greatest of ease by a small burro.



Today virtually all freight cars in use and the great majority of all passenger cars and locomotives are still in the ox-cart era in that their only defense against friction is the ancient one of grease on axles. There is drama and glamor in streamlined trains. They make pretty pictures and catch the public fancy—but the possible economies to be had out of reducing wind resistance on the moving train or out of employing lighter weight metals in its construction are small potatoes in comparison with what could be saved by reducing friction to a minimum, both in passenger and freight operation and especially in the latter.

That is why railroads placing orders for new locomotives and passenger cars these days are specifying Timken "quad" type bearings and boxes. That is why it seems logical to believe that some day there should be a big market for Timken bearings in the prosaic freight car, for no matter how efficient a locomotive may be there will always be a wasteful load added to any train which is carrying the unseen dead-head—needless friction.

At the end of last year only 9 per cent of the locomotives in use were less than ten years old. A big majority were more than twenty years old. There is similar obsolescence in freight and passenger cars. The railroads have been fully alive to these facts, as well as to the savings that could be had through modern equipment—but it takes rising rail revenues to translate a potential demand into effective demand. The best news for Timken in a long time is that rail revenues *are* rising and that the roads are again spending money. As this is written, the New York Central has placed orders for 100 locomotives—all railroads together bought only 12 in 1932—and the Rock Island has ordered six stainless steel passenger trains. For 1936, including some 50 Diesel-electric and electric locomotives, total locomotive orders will probably reach 450, thus (*Please turn to page 252*)

Eleven-Year Operating Record

	Net Income	Net Per Share	Div'd Paid	Number of Shares	Price Range	Working Capital	Cash and Securities
1926	$8,474,103	$7.06	$4.50	1,200,882	85⅜-44⅞	$19,173,682	$15,476,000
1927	9,554,397	7.96	5.00	1,200,882	142½-78	21,540,790	17,397,000
1928	13,730,145	11.43	5.25	1,200,882	154 -112⅝	22,605,992	17,633,000
1929	14,155,415	5.88	3.00	2,407,824	(B)139⅜-58½	22,560,335	13,635,000
1930	7,524,122	3.12	3.00	2,411,842	89¼-40⅛	22,335,275	14,546,000
1931	2,571,242	1.07	2.00	2,411,638	59 -16½	20,343,131	14,037,000
1932	(d)482,828	(d).20	1.37½	2,411,330	23 -7¾	18,543,688	13,556,000
1933	2,172,851	.90	.70	2,411,380	35½-13¾	21,256,639	14,210,000
1934	3,486,056	1.45	.90	2,411,380	41 -24	24,457,235	16,455,000
1935	7,483,602	3.10	1.25	2,411,380	72½-28⅜	25,682,442	16,616,000
1936	9,000,000(Est.)	3.75(Est.)	2.25(a)	2,411,380	(a)74½-56	NF	NF

(a)—Up to Nov. 25. (B)—After 2-for-1 split. NF—Not available.

Developments Worth Noting

BY STEWART M. GRANGE

WHENEVER anything is pushed hard from one side and pulled hard from the other the progress is always apt to be impressive. Within recent years capital has been pushed out of Europe by political and economic unsettlement, fears of impending devaluations, war clouds and other causes calculated to frighten a creature notably timid; at the same time it has been pulled towards the United States by the lure of expanding business profits. Estimates of the foreign capital invested in our country have been upped to the huge figure of $7,200,000,000 and fears have been expressed by the President himself lest the sudden withdrawal of any large part of this sum strain our security markets and impede our newly-found prosperity.

To avoid the possible danger, however, involves many difficulties—difficulties that must be recognized and faced if we are ever to solve one of the most vexing economic problems besetting governments today. It is not merely a question of putting an embargo on gold exports, or having them handled only by the stabilization fund as Secretary Morganthau announced only the other day that we were going to do. As a matter of fact an embargo on gold exports would only add fuel to the flames should there develop any serious flight from the dollar. This is because securities would be sold and the money transferred, regardless; and with a gold embargo in effect such a transfer would mean merely a wide-open break in dollar exchange and a renewal of the threat of general international currency depreciation.

No, if we are as frightened of foreign funds as some of us seem to be, there is only one thing to do: control the exchanges. And to control the exchanges, one must *control* them. It means the regimentation and regulation of the foreign exchange transactions of all the banks. It would mean that a bank with a sterling balance in London could not exchange part of such balance for dollars. It would mean that banks in this country could not freely buy the sterling draft offered by an exporter of cotton who was shipping his product to Liverpool. It would mean also some control over individual transactions in foreign exchange and the erection of safeguards lest there be built up bootleg foreign exchange facilities. Then there is always the possibility, perhaps probability, of exchange regulation materially hampering customary and perfectly legitimate international trade and financial transactions.

Would this be more control that we want, conceding the danger in the present state of every man for himself? However, Germany has it and we undoubtedly can have it if we so desire. But first let us appoint a commission of real experts to look into all aspects of the matter and make dispassionate decision. Don't let us wait until the deluge is on us and attempt to stem it with some fantastic expedient.

We Do Not Lead in Recovery

Today in the United States most of us are inclined to regard ourselves in the full tide of business recovery. Daily we read glowing accounts of this or that industry, note the flood of dividends going to stockholders and, on the whole, feel very pleased with our progress. However, a comparison of the cold facts of recovery in the United States with the gains made elsewhere is something of a shock, for it shows that we lag behind most other countries. For example, industrial production in the United States has hardly attained the level of 1928, but in the United Kingdom, Japan, Germany and a number of other countries industrial production is far above the level of that year. The United States can boast of a recovery which exceeds only that of the defunct "gold bloc." While it is somewhat disheartening to see how we lag, there is at any rate consolation in the thought that we should have much further to go from this point than the countries whose industrial production already is at record heights.

Rights of Minorities Confirmed

Certain recapitalization plans of Delaware corporations have recently gone awry because of a decision rendered by the Delaware Supreme Court on November 9. In the case of Joseph Keller and Edna Rives, stockholders of Wilson & Co., Inc.; versus Wilson & Co., Inc., this court decided that a corporation could not extinguish accumulated dividends on preferred stocks in a plan of recapitalization, even though such plan has been approved by majorities of all classes of stockholders. The interests of minority stockholders are accorded new prominence in this decision.

Following this important decision the National Supply Co. withdrew its plan of recapitalization for the

reason that it could not be certain of the validity of the action even though the company had received the approval of nearly 70 per cent of the preferred stock and 75 per cent of the common stock. The plan, as originally proposed, involved the exchange of old preferred for new lower rate preferred and some common to take care of substantial arrearages on the outstanding issue. The carrying out of this plan would have avoided the necessity of paying out a substantial surtax on undivided profits, thereby enabling the company to build up its working capital position which, in common with nearly all durable goods producers, had been depleted during the depression years.

Dividends—Sometimes Better Unpaid

An important angle which should be seriously considered by investors and long-term speculators in the current spectacular flood of large extra year-end corporate dividend payments is their effect upon intrinsic values of representative securities. The intrinsic value of an interest or equity in a going concern is primarily dependent upon the inherent ability of the company to earn and also to increase profits when larger volumes of business for any reason whatsover become available. It has already become apparent that, under present laws, many corporations will find it increasingly difficult to build up financial strength for future eventualities. On the other hand, others, because of the peculiarities of some of the rules set forth in the new undistributed-profits-tax laws, are not under immediate pressure to pay out all surplus earnings. Since adequate working capital is a necessity at all times, and is particularly necessary when business volumes expand rapidly, such considerations have an important bearing upon changing intrinsic values and their relation to market prices of numerous securities.

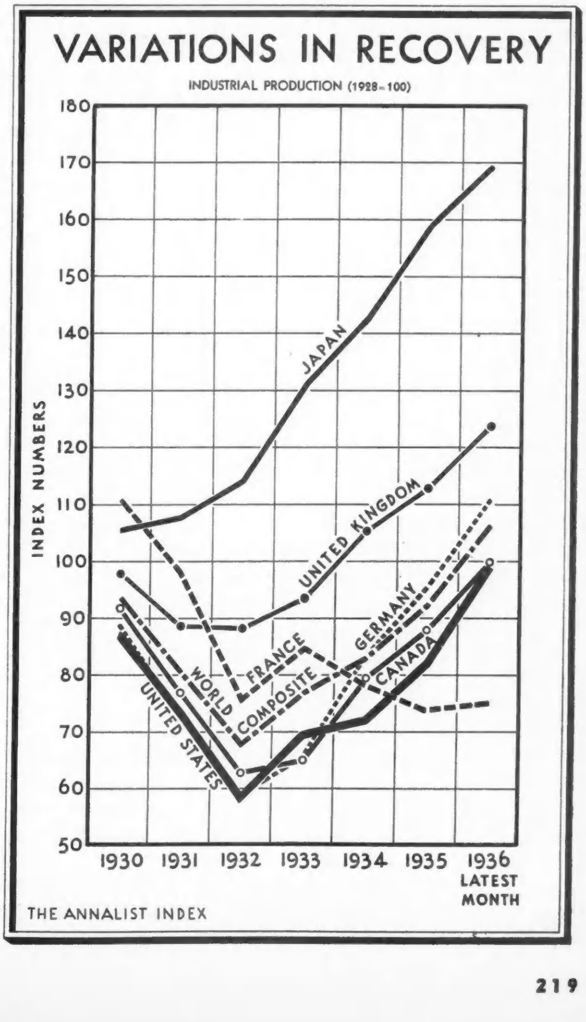
Perhaps it is because of contemplation of the effects on intrinsic value of heavy surtaxes on retained earnings and future earnings ability of companies, that more market interest has recently been directed to companies in a position to avoid paying out the bulk of profits, and therefore able to build up working capital. A case in point is the present activity at rising prices in U. S. Rubber preferred and common stocks. Under this company's bond indenture, dividends, if paid, would have to come out of earnings since 1916, which show an accumulated deficit of roughly $25,000,000. It is believed that the existence of this indenture will enable the company to retain profits, if it so desires, and plow them back in order to increase the inherent ability of the company to earn under future conditions forecast by the management.

Boomerang in Social Legislation

Norman Thomas said recently that there was a boomerang in social legislation for the reason that anything done to increase the cost of labor to the employer, whether it be higher wages, shorter hours, or an improvement in working conditions, made for greater mechanization. This may well be true. But it is also true that labor has nothing to fear from mechanization in the long run: the worker who runs a machine today enjoys a vastly higher standard of living than the man who worked with his hands yesterday. But, labor will retort: "Though it be true that the lucky few who are retained to run the machine do better, what of the men whom the machine displaces? There is, however, an answer to this which seems to settle the argument with finality. The most highly mechanized industry in this country is the automobile industry and it is here that wages are highest and unemployment lowest. On the other hand, the least mechanized industry is construction and here unemployment is still rife.

Decentralizing Industry

Compelled by the provisions of the Robinson-Patman Law to cancel a long-standing contract with the Goodyear Tire & Rubber Co., Sears, Roebuck & Co., is now obtaining its tire requirements from a half dozen smaller manufacturers, selected by the company with a view to their relationship to important distributing territories. Tires for Sears, Roebuck are manufactured to the company's specifications, enabling it to control their quality regardless of who the manufacturer may be and in the long run this new arrangement may prove to be a decidedly advantageous one. Danger of any interruption in the company's source *(Please turn to page 258)*



Traffic Volume Is Working Its Way Back Toward Prosperity Levels; But Recent Legislation Menaces Expanding Income

Can the Railroads Regain Their Former Earning Power?

BY PIERCE H. FULTON

CAN the railroads regain their former earning power? Upon the ultimate answer to this question depends whether they are to continue under private ownership and management or go into bankruptcy and government ownership.

Could anything be more vital to the millions of owners or railroad securities—individuals, savings banks and insurance companies?

Real Gains Made

The outlook is by no means discouraging, as has been demonstrated by the big increases in earnings for this year over 1935, and particularly over 1932 and 1933. The real answer is "Yes"—if the railroads are relieved from burdensome legislation now in effect, spared from more of a similar type, placed on an even footing with competing mediums, and if the attitude of the Administration and Congress toward the railroads and business in general is such as to further restore confidence.

Some one may say that this is an old song that has been sung by the railroads for years. Actually it is a plain statement of fact as to the nearby outlook for the carriers. Bluntly, whether the railroads enjoy a still greater degree of prosperity next year and in the next few years—without looking further ahead—is "up to Washington."

By "Washington," in this instance, is meant specifically the following: The President, the Supreme Court, Congress and the Interstate Commerce Commission. What should each do under the circumstances outlined?

1. The President—Adopt and pursue *unwaveringly* a policy that will restore and maintain confidence in his Administration as a whole.

2. United States Supreme Court—Declare unconstitutional both the Railroad Retirement and Social Security acts, leaving the railroads, and industry as a whole in the case of the latter, to provide for their own employes, as should be done, and not to be required to pay into a common pot.

3. Congress—Irrespective of political considerations, turn down the proposed six-hour day for the railroads, and all other inequitable, cost-raising bills pertaining to them, which may be introduced from time to time.

4. The Interstate Commerce Commission—Grant an extension for six months of the freight surcharges that expire on December 31. Authorize in their place, in due time after the hearing already set, the revised rates, with whatever modifications may seem reasonable, for which application has been made by the carriers.

What should be done, *must* be done, in this instance, if the railroads are to regain their former earning power. Stripped of political considerations, this entire program, as just outlined, is easy to carry through. With those considerations, probably it is impossible, or largely so.

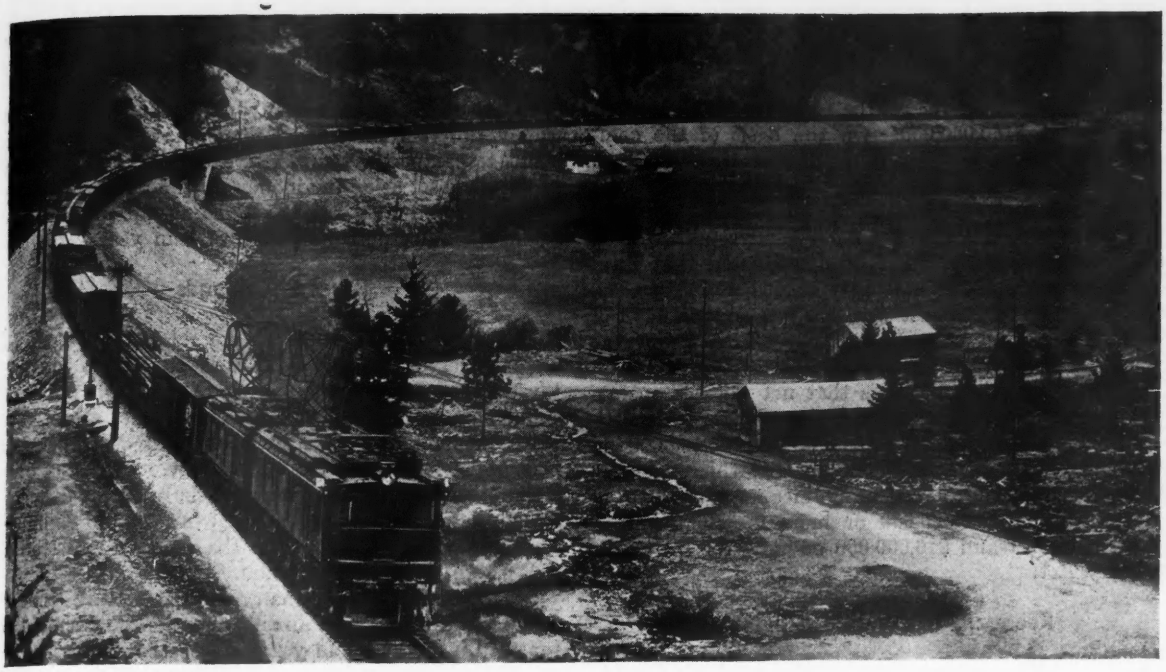
A tremendous responsibility rests upon the President and these various bodies in the months just ahead. They can further restore confidence, causing business to expand to a still greater degree, and, in turn, the traffic and earnings of the railroads, or they can do just the opposite. Railway executives with whom the writer has talked in the last few days can't persuade themselves that the former course will not be followed.

What Four Prominent Railroad Executives Say

Frederick E. Williamson, President of New York Central—"If we are left alone. The railroads are demonstrating by their gross and net earnings for this year, compared with the dark years of the depression, 1932 and 1933, and even with 1930 and 1931, that they can regain their earning power—and have regained a considerable part of it. They have done this in spite of big obstacles. Relieved of them the railroads could fully regain their former earning power."

M. W. Clement, President of Pennsylvania Railroad—"If the American railroads can today get equality of treatment with other lines of industry before the court of the people and if permitted to give rein to their vision and their inventive genius, they will work out their own salvation and perform a great part in the rehabilitation of this country."

Matthew S. Sloan, Chairman and President of Missouri-Kansas-Texas Railroad—"I look for a 10 per cent increase in railroad traffic next year, if the railroads are not hampered by unfavorable legislation. It should be



Courtesy Great Northern Railway

Electric Engine pulling 107-car freight train through the Cascade Mountains

borne constantly in mind that such legislation lessens the earning power of the railroads directly, and likewise their buying power. The latter, in turn, reduces activity in industry, which adversely affects railroad traffic. I can't believe that the railroads will have to contend with further legislation of this kind."

J. J. Pelley, President, Association of American Railroads—"The future of the railroad industry depends upon the answers to four basic questions: (1) Will railroad service continue to be essential on this continent? (2) Are the railroads improving their service and cutting their unit costs? (3) Have the railroads, with a normal volume of business, shown the inherent efficiency to operate on a profitable basis? (4) Will they receive equal treatment and opportunity under our public transportation policies?"

To the first three of these questions Mr. Pelley is willing to give an affirmative reply if the Government is willing to make a corresponding reply to question No. 4.

It is now in order to make special reference to the word "former" in the caption of this article. It is rather indefinite as to specific time. Should the boom years 1928 and 1929 be taken as the measure of "former earning power" or should it be 1930 and 1931? Most prominent railway executives think the results for the latter more nearly represent the normal earning power of the railroads.

Every student of railroad earnings knows that in the former years abnormal conditions prevailed which may never return, and doubt is expressed even as to the desirability of their return. On the other hand, it should be remembered when comparing earnings of the railroads for the current year with those for some other year when they were regarded as good, that conditions and legislation exist now that were not to be found in the boom years immediately preceding the depression, or, for the most part, in 1930 and 1931, before it reached its lowest depths. These conditions and this legislation tend to reduce net earnings materially. For instance, it is estimated that the Railroad Retirement Act will cost the railroads this year $57,000,000 and the Social Security Act $16,000,000. Neither was in effect just before the depression nor in the early years of it.

President Williamson, of New York Central, says—"If we have a continuance of these two acts and Congress should pass a six-hour bill for the railroads, I don't know that 1929 earnings would be sufficient to make the railroads of this country reasonably prosperous again."

Whether this is so or not, let us take a glance at the earnings of the railroads for 1928 and 1929, just before the depression, for 1933, when it was at the lowest point, and for current year to date. For 1928 operating revenues of Class I railroads totaled $6,111,735,511 and for 1929 $6,279,520,544. For 1933, four years later they had dropped to $3,095,403,904.

For 1934, 1935, and so far in 1936, the trend has been steadily and decidedly upward, with an increase in operating revenues for 1935 over 1933 of $356,525,507. Class I railroads reported operating revenues for the first nine months of this year of $2,930,464,310 compared with $2,511,779,125 for the same period of 1935, an increase of 16.7 per cent. Net railway operating income for the first nine months of this year totaled $434,864,004 against $321,201,769 for the like period of last year and $648,115,287 for that of 1930.

Returns for 92 Class I roads for October, representing 79.3 per cent of the total revenues, showed operating revenues of $312,072,915 against $270,300,144 for the

same month of 1935, an increase of 15.5 per cent. Eleven roads show for October combined net operating income 16.9 per cent larger than in October, 1935. Net income after charges for all the roads in 1936 has been estimated at $150,000,000. On the basis of the complete returns for the first 9 months of this year, the partial figures for October and the belief on the part of railway executives that traffic and earnings will hold up well in December, and that a good report will be made for November, it has been estimated that total operating revenues for 1936 may exceed $4,000,000,000. This would be in contrast with the low level in 1933 of $3,095,403,904, but more than $2,000,000,000 below the high level of $6,279,520,544 for 1929.

What is more important is that net railway operating income of Class I railroads for this year is estimated at $650,000,000 against only $326,298,008 in 1932. It should be borne in mind that this estimated figure for net railway operating income is arrived at after deducting $50,000,000 or more for the Railroad Retirement Act and $16,000,000 or more for the Social Security Act.

Recovery in Operating Income

Making still another comparison, the estimated $650,000,000 net railway operating income for 1936 is in contrast with $525,627,852 for 1931, an increase of 24 per cent. It is further expected that operating revenues of Class I railroads for the current year are likely to fall below those for 1931 by perhaps $100,000,000 or more. The larger estimated net results for this year, therefore, show the great degree of efficiency in operation that the railroads have brought about in the five intervening years. Except for the Railroad Retirement and Social Security acts, the railroads would show for this year net earnings quite satisfactory from practically every point of view.

While on the question of materially increased net earnings for 1936, it is fitting to deal with one of the most vicious pieces of legislation ever enacted with respect to the railroads—the bill providing for a tax on undistributed profits, beginning with the current year. According to the proponents of the measure, its purpose was to force the distribution of these profits rather than to allow them to accumulate for the further development of the property, retirement of debt and other lawful purposes.

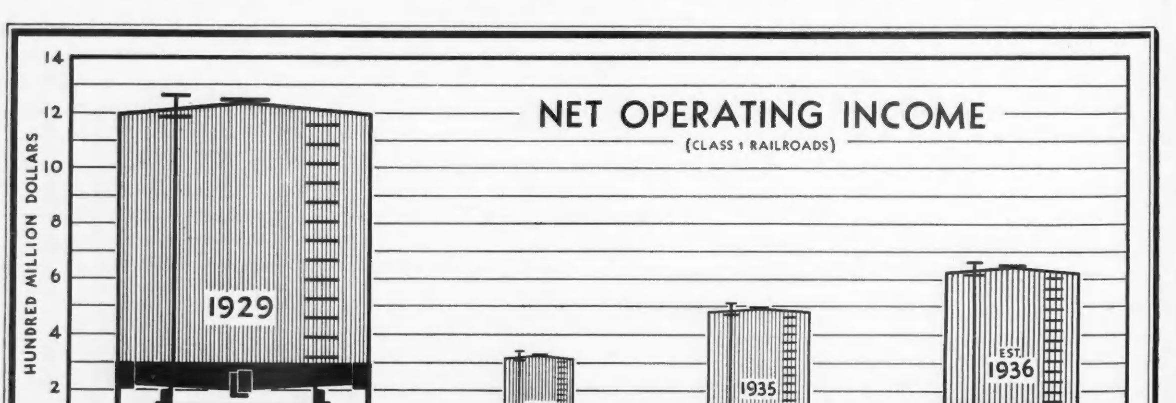
A few railroads, and many corporations engaged in widely different lines of business, have declared dividends to escape the tax, when, except for this law, they would have set aside the money for the purposes already indicated, and also for the building up of a reserve against another possible period of lean years.

Forced Dividends

The following are some of the railroads that so far have declared "forced" dividends to escape the tax: Western Maryland, $7 per share on first preferred; Cincinnati, New Orleans & Texas Pacific, an extra of $23 on common; Pere Marquette, $20 on 5 per cent prior preferred; Louisville & Nashville, an extra of $1.50 a share; Atlantic Coast Line, $1 a share on the common; Chesapeake & Ohio, an extra of $1 in cash and $2 in new 4 per cent preference stock on the common and Norfolk & Western, $5 on the common.

As this law puts a penalty on the setting aside of funds for the purposes already mentioned it should be repealed. In the boom years before the depression the railroads declared unjustifiably big dividends on their common stocks, when they should have used the money to retire funded debt. Now the Government is forcing them to declare dividends, thereby weakening their financial position, just when they are emerging from the depression. As it applies only to profits accumulated since January 1, last, this law does not reach the large accumulated surplus of a handful of roads such as Atchison, Union Pacific, Chesapeake & Ohio, Norfolk & Western and Louisville & Nashville.

There are various other features of the railroad situation to which careful attention must be given in endeavoring to determine whether the railroads can regain their former earning power. Just now, with the reassembling of Congress, the complexion of which was changed considerably by the last election, only about a month away, the possibility of a six-hour day with 8 hours' pay for railroad employees, being passed within the next few months, is regarded as easily the greatest menace to the carriers now *(Please turn to page 258)*



Bonds Now at Record Highs—
Will the Coming Trend Be Down?

A Bond Policy for the Investor

BY J. S. WILLIAMS

THE renewal of the upswing in the bond market is again causing keen interest in the outlook for governments and high grade corporate bonds. Can present levels be maintained or will the next move be downward?

Expert opinion, as usual, is divided. The Federal Reserve authorities, for example, are confident that money rates will remain low and as they themselves can exercise a potent influence in the matter it is not an opinion without weight. This is a view that seems to be shared by the majority of bankers and insurance executives.

On the other hand, Edwin Walter Kemmerer, professor of international finance at Princeton thinks rather differently. It is his opinion that the many inflationary forces set in operation over the past few years are not as yet fully effective, that commodity prices are going higher and that currently we are merely in a period of temporary monetary and credit glut. Dr. Kemmerer believes that rising prices under the influence of inflationary forces will raise money rates, regardless of great power to keep them low vested in the Federal Reserve authorities and the Treasury Department. Dr. Lionel D. Edie, former professor of finance at the University of Chicago, approaches an agreement with Mr. Kemmerer. While Dr. Edie foresees a long period of cheap money, he thinks that the seven-year downward trend in interest rates is about to be arrested: in other words, while money will stay cheap, it will not get appreciably cheaper.

Such conflict of authoritative view has put the ordinary investor in a quandary. His own experience tells him that bonds are high and interest rates low. His income has been cut by countless refunding operations under which he has been forced to accept a return of three or three-and-a-half per cent in exchange for securities that previously paid him five or five-and-a-half per cent and is quite willing to concede the point that bond prices are the highest in the country's history and interest rates the lowest.

This is the situation today and the average investor accepts it. He has, however, no stomach for the possibility that he may be whipsawed—that having been forced to accept a marked reduction in his income he will next suffer capital depreciation as a rise in the general level of interest rates forces the price of his bonds lower. And this, of course, is exactly what would happen *should* interest rates rise.

A befogged investor, however, will feel better—at least he will not be confused—if he realizes that the opinion of those who see a decline in the bond market and those that foresee continued strength is capable of logical reconciliation. It is solely a matter of timing. Those who foresee a decline in bonds merely stress something which must happen eventually, for no country has ever had, nor can it have, a full measure of recovery in prices and business activity without a rise in interest rates. Seeing the ultimate certainty so clearly, in order to make their point many authorities unwittingly underrate the intermediate forces working to sustain the bond market. Likewise, those that see continued strength in bonds give greatest weight to the near-term prospect and equally unwittingly neglect the more distant future. One can see the same thing at any time in everyday life: there are those who think only of the party tonight and forget about the headache tomorrow. And, so long as the party lasts long enough and is bright enough, it's not too bad a course to follow at that.

Prices Indicative of the Present Demand for Some Recent Bond Issues

	Offering Price	Current Bid Price
Amer. Telephone & Telegraph 3¼s	101	102½
Argentine Republic 4½s	92½	95
Detroit Edison 3½s	105	108½
General Motors Acceptance 3s	101½	104
General Motors Acceptance 3¼s	101½	103¾
Koppers 4s	100	102½
Louisville Gas & Electric 3½s	102¾	105¼
Pacific Gas & Electric 3½s	102¾	103½
Union Pacific 3½s	99½	101½

On what does the duration of the present party in bonds mainly depend? There are a number of possible developments capable of bringing it to rather an abrupt close. A boom in business and commodity prices, as Dr. Kemmerer says, would do it. But it is hard to visualize a boom so magnificant that within the near future it would take up the slack in the country's available credit resources and result in a material hardening of interest rates. We may have such a boom considering the setting and the present rate of our improvement, but it can hardly reach the proportions necessary during the next year.

Certain actions on the part of the banking authorities

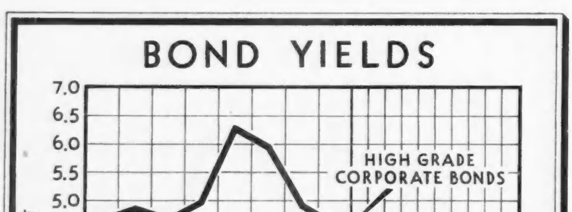
and the Government are capable of bringing about a firming of money rates. But is it not true that the Government needs cheap money and will continue to need it so long as the budget remains unbalanced and it has to rely on the sale of bonds to make up the difference between sums received and sums spent? Moreover, the Government is committed to an easy money policy for other reasons. For example, its plans to revive building depend upon easy money. Therefore, nothing less than a speculation showing signs of running hog-wild would persuade the Government to take steps toward increasing the present abnormally low rates for money.

Other possible developments that might terminate the present era of cheap money include (1) A flight from the dollar and (2) War. Recently President Roosevelt expressed alarm over what he termed "hot money" invested by foreigners in this country. He feared that it might be withdrawn suddenly with disastrous consequences to our security markets and the stability of dollar exchange. It would take, however, more than a flight from the dollar on the part of foreigners to materially alter interest rates in this country; there would have to be also a flight from the dollar on the part of American citizens. Any such thing is clearly most unlikely. Radical as some believe the present Administration to be, it shows no disposition towards tendencies radical enough to destroy faith in dollar obligations. Indeed, with unsettlement abroad greater than ever, the flight of the world's money to this country may well be intensified.

As for war, this is a possibility whose development means that "all bets are off." It is impossible to foretell what would happen should the world again suffer this terrible calamity.

No Early Bear Market in Bonds

Thus, war always excepted, it would seem that the weight of the evidence is heavily in favor of the investor not having to face any early downward market in bonds. He should remember, of course, that ultimately such a bear market will develop, and for this reason should refrain from at least enlarging his present proportion of high grade bonds, and as occasion permits might



even reduce it somewhat below customary levels.

What is likely to happen from this point is that the best bonds will penetrate their present ceiling by relatively little but that, judged solely on the basis of price, there will be a marked tendency for medium grade bonds to masquerade as the best.

Maintenance of Quality Important

Signs of such a phenomenon are already quite pronounced. While most of the recent financing has involved a high type of security, the period has not been without its examples of a medium grade issue being sold at a high grade price. An investor will have to be on his guard against quality dilution of this kind in his portfolio; for should he carry a list of the best bonds until that time when money *does* begin to firm, he will suffer, but should he overstay his market, holding second rate issues believing them the best, the results might be disastrous.

Up to this point the present discussion has been concerned solely with bond prices and, as has been said, there is little that an investor need fear immediately on this score. If however, he is an individual who depends upon his income from bonds to buy the necessities of life he is concerned not only with bond prices and the course of interest rates, but is even more vitally interested in the trend of commodity prices. If these go up, it means that his income will buy just that much less. Commodity prices and the cost of living already have advanced very substantially and, as they are unquestionably going higher, the true value of a bond from the standpoint of the individual investor resolves itself largely into a question of how much further the cost of living is to advance.

It is, of course, impossible to answer such a question categorically. As Dr. Kemmerer points out, we have put into operation over the past few years inflationary forces, whose full effect has not yet been seen. Nor is the end in sight: daily the Federal Government increases its deficit and daily, therefore, are additional inflationary forces put into operation. Even though the Government were to balance its budget tomorrow, the effects of what has been done already might well be seen in a rising cost of living for several years.

Yet, just because the real worth of what they yield him in the form of interest is likely to show a deterioration of unknown extent, is the investor dependent on security income justified in shunning bonds altogether? Not at all. Against the disadvantage of instability in purchasing power must be weighed the advantage of relative stability of bond prices.

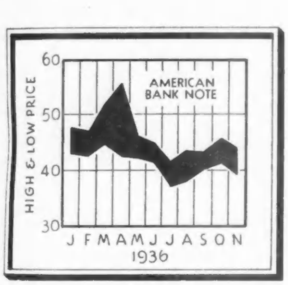
Thus, as this publication has repeatedly pointed out, the wisest course for the individual continues to lie in the holding of some bonds as well as other forms of investment. With a reasonable backlog of sound bonds (its size smaller than a year or two ago but still depending upon the individual's circumstances) additional funds must be invested where the return is likely to be influenced favorably by rising prices and further business improvement. Most men will find in common stocks the best means of employing funds over and above those invested in the necessary bond backlog, but these must be chosen carefully.

New Opportunities in Three Price Fields

Selected by THE MAGAZINE OF WALL STREET STAFF

American Bank Note

Recently quoted around 40, the shares of American Bank Note Co. are selling about 15 points below their previous 1936 high, and at these levels offer a promising investment opportunity for both income and price appreciation. The decline in the shares is doubtless the market reflection of a rather disappointing third-quarter earnings report. Net for the three months ended September 30 amounted to $296,920, or the equivalent of 35 cents per share on the common stock as compared with 63 cents a share in the June quarter and 82 cents a share in the third quarter of 1935.



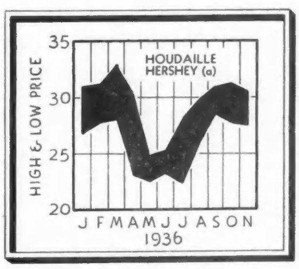
Reports suggest that lower earnings were due largely to a decline in foreign business and, if true, this condition may prove more or less temporary. In any event, the company's earnings for the full year will probably exceed 1935 results, when the common stock earned the equivalent of $1.36 per share. The present dividend rate of $1 per share annually will be augmented this year by payment of a 15-cent extra. Finances enable the company to pursue a liberal dividend policy.

American Bank Note Co. is the foremost printer and engraver of corporate and other type securities. In addition, the company produces paper currency for various foreign governments and banking institutions. Owing to the dearth of new financing, losses were shown in the three years prior to 1935. Conservative financial policies, however, enabled the company to enter the depression without impairment to its liquid resources. Ranking ahead of the 652,773 shares of common stock, are 89,913 shares of 6 per cent preferred stock, par $50, on which dividend requirements amount to less than $270,000 annually. It appears to be a foregone conclusion that 1937 will witness an increasing volume of corporate financing and also the probabilities are that interest in the various security markets will continue to expand, both of which conditions are subject to constructive interpretation from the standpoint of American Bank Note's prospects for an enlarged volume of business and earnings.

Houdaille-Hershey Corp.

Houdaille-Hershey Corp. supplies nearly all of the leading automobile manufacturers with hydraulic shock absorbing equipment, as well as other automobile supplies. Sales to the automobile industry are estimated to contribute about one half of the company's total annual volume. In addition, the Houdaille-Hershey Corp., now supplies various equipment to makers of farm equipment, airplanes and electric refrigerators. In the main, however, the company's rising tide of fortune during the last two years reflects the vigorous recovery of the automobile industry. By the same token the favorable aspects which may be discerned in the company's 1937 prospects evolve largely from the high promise of the automobile industry. For one thing, the greatly improved appearance of the new Ford model is expected to enlarge substantially Ford's proportion of the low-priced field. If such proves to be the case, it should find important reflection in the sales and earnings of Houdaille-Hershey, possessing a contract to supply the Ford Company with shock absorbers.

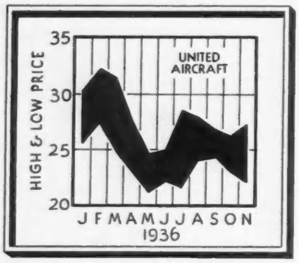
Capitalization of Houdaille-Hershey consists of 174,000 class "A" preference shares and 784,956 shares of class "B" stock. Last year all accumulated dividends on the class "A" shares were paid off and regular payments of $2.50 annually were resumed. Dividends on the class "B" shares were also resumed last year and quarterly payments this year aggregating $1.50 were augmented by an extra 62½ cents declared last August. For the nine months ended September 30, last, net profit of $1,966,573 was equivalent, after all prior charges and dividends on the Class "A" shares, to $2.09 per share on the class "B" stock. In the corresponding period of 1935, the class "B" shares



earned the equivalent of $2.06 each. With greatly increased output anticipated in the final quarter of the year, the possibilities are that the company will show upwards of $3 per share for the class "B" stock. The substantial earnings recently shown, combined with the favorable prospects for next year would appear to be rather conservatively appraised by prevailing quotations for the class "B" stock, around 29-30. In the circumstances, the shares offer an interesting speculative opportunity.

United Aircraft Corp.

United Aircraft Corp. is a completely integrated unit in the manufacturing division of the airplane industry. The company's Sikorsky subsidiary is credited with development of the famed Clipper ships, the Chance-Vought division is a maker of military planes, the Hamilton Standard propeller division has led the world in development of controllable pitch and constant-speed propellers, while the Pratt & Whitney division is famous for its air-cooled radial motors. Thus, the company is well prepared to obtain a full share of the rising volume of orders for military and civil air craft, which are now at record breaking levels and giving every indication of continuing to expand to a point which may test the manufacturing capacity of the domestic aircraft industry.

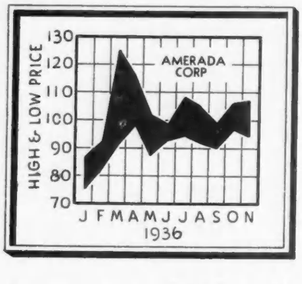


Enlarged volume of business this year has enabled United Aircraft Corp. to show a somewhat better margin of profit, with the result that earnings in the first nine months were equal to 38 cents per share on 2,505,406 shares of capital stock. This compares with 23 cents a share earned in the corresponding period of 1935, although in the latter period the company had the benefit of sizable "other income." The recent declaration of a 50-cent dividend on the stock suggests that earnings this year may be slightly in excess of this payment. The company is well provided for financially and capitalization is conservative, the outstanding stock being preceded by neither bonds nor preferred shares. Judged by any statistical standard, the shares are not undervalued at prevailing levels around 26. However, regarded as a strictly speculative venture, they offer one of the more conservative means of participating in the aviation industry at a time when the industry appears to be on the verge of its greatest era of development.

Amerada Corp.

Unlike most of the larger oil companies, Amerada Corp. engages almost exclusively in a single phase of the industry—the extraction of crude oil. So successful, however, have the company's exploration activities been that in relation to its size, Amerada is generally believed to control more oil than any other publicly owned company in the country. At the end of last year, the company owned full or part interest in 1,054,000 acres of leaseholds, royalties, mineral rights, etc., located mainly in Oklahoma, Texas, New Mexico, Kansas, California and Louisiana.

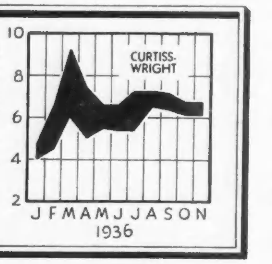
It is the policy of the company to employ unusual conservatism in reporting its earnings. In 1935, the reported net profit of $1,797,613, was the amount remaining after depreciation, depletion, abandoned leases, drilling expenses, etc. Net available for the 788,675 shares of common stock last year was equal to $2.28 per share. Further moderate expansion, after the same liberal write-offs, was noted in the first nine months of the current year. Net applicable to the stock was equal to $1.78 per share, as contrasted with $1.60 per share in the corresponding period of 1935.



The company's dividend policy has likewise been conservative, the present rate of $2 annually having been in effect since 1926. Although the shares, at 96, offer little inducement from the standpoint of income return, the fact that they do offer the sole equity in a major oil reserve of great potential value, should appeal strongly to the longer term investor.

Curtiss Wright Corp.

Evidence of a substantial improvement in the earnings of Curtiss Wright Corp. this year is to be found in the recent action of the company in declaring an initial dividend of 50 cents a share on the class "A" stock. Net profit in the September quarter was in excess of $440,000 as compared with only $35,000 a year ago and for the nine months to September 30th, the company reported a net profit of $1,262,132, comparing with a net loss of $296,607 in the first nine months of last year. Further, it has been estimated that the company went into the final quarter with unfilled orders of around $15,000,000, a gain of about $2,000,000 since September 1, reflecting mainly the receipt of two large orders from the War Department. It has also been reported that the company's foreign business this year has increased considerably.

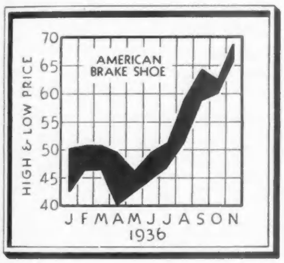


Curtiss Wright Corp. is rated as one of the world's leading manufacturers of military, commercial and private aircraft and motors, and has contributed heavily to the progress of the aviation industry through its research activities and new developments. At the record high in 1929, sales exceeded $26,000,000 and at their depression low in 1933, were less than $11,000,000. Until recently the company has depended largely upon government orders in this country, but of late demand from all sources has expanded. At the end of last year there

were outstanding 1,156,223 shares of class "A" stock entitled to $2 a year non-cumulative preferred dividends, and 6,766,963 shares of common stock. With the rather large amount of common stock outstanding, it is apparent that anything in the way of substantial earnings is unlikely to be realized during the near future. From a purely speculative standpoint, on the other hand, the shares may be credited with a measure of attraction as a low priced vehicle for participating in the future growth indicated for the aviation industry.

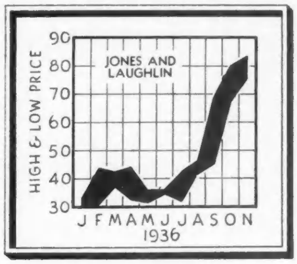
American Brake Shoe & Foundry Co.

American Brake Shoe & Foundry Co. has been one of the few companies associated with the railway equipment industry successful in maintaining consistently profitable operations throughout the depression. In this achievement, the company was partially aided by the fact that its line of products, such as brake shoes, track fixtures, castings and forgings were in demand for repair work. Earnings were additionally bolstered by automotive sales, including brake linings, brake shoes, fan belts and radiator hose. In other words, replacement demand contributed the major portion of the company's business, thereby assuring a greater measure of stability. However, with the demand for new railway equipment expanding rapidly, American Brake Shoe & Foundry is in a position to receive considerable benefit from the purchase of new equipment, and larger maintenance programs. Earnings available for the company's common stock this year have been running at a rate nearly 100% ahead of results achieved in the same period of 1935. Net for the nine months to September 30, last, was equal to $2.04 per share on 611,712 shares of common stock, as contrasted with $1.09 per share in the same period a year ago. Ahead of the common stock are 93,955 shares of 5¼% convertible preferred stock, the latter having been issued in exchange for the old 7% preferred stock earlier this year. The lower dividend on the 5¼% preferred shares resulted in a saving equivalent of about 27 cents per share for the common stock annually. Dividends are being paid at the rate of 40 cents per share quarterly, but in view of the late trend of earnings and the company's excellent financial position, a generous extra seems likely to be forthcoming this year. Although current prices, around 65, for the common stock are liberally capitalizing current earnings, prospects for a substantial upturn are sufficiently well defined to place the shares in a position for further price enhancement and larger dividends.



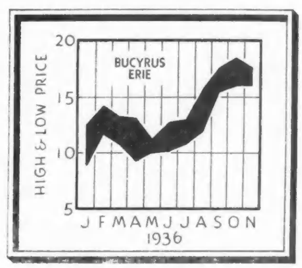
Jones & Laughlin Steel Corp.

Jones & Laughlin Steel Corp., rated as the fourth largest unit in the domestic steel industry, has until this year concentrated its activities on the production of the heavier types of steel such as pipe and structural steel and merchant bars. Early this year, the company sold $30,000,000 first mortgage 4¼% bonds due 1961 of which some 80% of the proceeds will be devoted to enlarging the company's productive capacity for the output of the lighter types of steel. One of the oldest units in the industry, Jones & Laughlin owns iron ore properties calculated to be sufficient to supply all of its requirements for at least 20 years, while coal reserves have been estimated as being sufficient for 70 years. Manufacturing facilities are concentrated in the Pittsburgh areas and enable the company to avail itself of the cheap water transportation offered by the Ohio and Mississippi rivers. Despite severely restricted demand for steel during the depression, an actual operating loss was suffered in only a single year, 1932. As a consequence, the company emerged from the depression in a strong financial position.



Responding to the substantially enlarged demand for steel this year, earnings of Jones & Laughlin have recorded a marked upturn. Net profit for the first nine months totaled $2,053,320 after all charges, including depreciation and depletion. This was equal to $3.50 per share on 587,139 shares of 7% preferred stock, comparing with a loss of $516,463 in the first nine months of 1935. In the third quarter, net income, after preferred dividend requirements, was equal to $1.46 per share on 576,320 shares of common stock. With the resumption of preferred dividends by the payment of $1.75 per share in October, accumulations on the preferred were reduced to $28.25 per share. Selling at 80 on the New York Curb Exchange the market appraisal would appear to be liberally discounting the near-term prospects for the common stock. Nevertheless, earnings, with the benefit of continued expansion in demand for steel which seems a reasonable expectation for next year, could rise rapidly as has already been demonstrated by the results in the third quarter of the current year. Acquired with a view to holding over the next twelve months or so, Jones & Laughlin common stock may well prove a profitable acquisition at this time.

Bucyrus-Erie Co.



The successful completion of a plan of capital readjustment and the marked improvement in the company's current earnings enhance materially the prospects for resumption of dividends on Bucyrus-Erie Co. common stock in the not distant future. Bucyrus-Erie is a foremost manufacturer of excavating machinery. Within this broad designation are included a wide variety of products (*Please turn to page 260*)

Nash - Kelvinator . . .
A Soundly Conceived Merger

BY J. C. CLIFFORD

Successful mergers, like successful marriages, are based upon compatibility, upon logical consistency. Both parties contribute something, so that the union is made stronger than its component parts. There were a number of notable exceptions, of course, but in the good old days of the late twenties corporations were often merged for no better reason than that it brought greater size and therefore, presumably, greater kudos to the executives in charge. The road from the recent past is strewn with the wreckage of such unions. Then, during the years of depression we had the merger for mutual salvation. Today, we begin again to have mergers whose objectives are broader economic vistas, larger profits—mergers of logical consistency.

Such a merger is the one to be ratified shortly by the stockholders of the Nash Motors Co. and the Kelvinator Corp. Nash, independent manufacturer of automobiles, has not been doing too well of recent years. Charles Williams Nash, who twenty years ago resigned the presidency of General Motors to make his own car, is well past the seventy mark. This, and the fact that his company has paid more than a hundred million dollars in dividends since its formation, entitles him to well-earned rest. But who is to get to manage Nash and the twenty-three million dollars in Government bonds which are its principal asset?

This is where Kelvinator and its management comes in. Kelvinator never showed a depression loss; its output of electrical refrigerators has moved steadily ahead. For the fiscal year to September 30, last, the company sold approximately 317,000 units, compared with 250,000 in the previous twelve months. It is estimated that for this year the total demand for refrigerators will be in the neighborhood of 2,000,000, from which it will be seen that Kelvinator's proportion of the total is a very substantial one. Refrigeration, however, is a field where the competition is of the keenest. In looking around for something to give the company a degree of independence from a single, hotly-contested line, Kelvinator decided that building offered such an opportunity. Today, therefore, it can boast of furnaces, stoves, air-conditioning equipment, temperature control apparatus, in addition to refrigerators. Aggressively pushing its new home equipment, Kelvinator has designed plans and there are completed, or in the course of construction, a hundred or so six-room houses. These are of standardized style, cost about $7,000 and contain about $1,250 worth of the company's products.

To Kelvinator's plans for dynamic expansion, Nash contributes mainly cash; for its cash Nash gets management whose ability has been proven in its capacity to earn money in the face of competition from such giants as General Electric and Westinghouse and during a time of general business difficulty. It does not follow necessarily, of course, that an ability to make money in refrigerators means an ability to revive a faded automobile business. However, George W. Mason, under whose leadership Kelvinator has made such progress, is by no means devoid of automobile experience. He was originally with Studebaker, then with Dodge, continued with Chrysler after the latter rose from the ashes of Maxwell Motor. Moreover, Kelvinator has the dealer organization which Nash needs badly. Thus, in connection with the automobile division there would seem to be every reason to hope for a successful outcome, particularly as the fundamentals are so favorable for a renewed start in this industry. The demand for cars seems to be insatiable and it will be a cause for vast surprise if the output of 1937 motor vehicles fails to go well above the five-million-mark.

Under the terms proposed for the merger, the stockholders of Nash for each 1 3/8 shares of stock will receive 1 share in the new Nash-Kelvinator Corp., while the stockholders of Kelvinator will receive share for share. Is this fair? On the basis of current market price, ignoring the dividends that will be paid on the stocks of the two companies as separate entities, the ratio is not out of line. Kelvinator is selling today at about $23 a share, while Nash is quoted about $18. But although market price is an important practical

Nash-Kelvinator Highlights

Principal Products	Automobiles, Refrigerators, Air-conditioning
Retail Outlets	Kelvinator 10,900, Nash 1,600
Total Resources	Nearly $60,000,000
Cash or Equivalent	$28,000,000
Bonds	None
Preferred Stock	None
Common Stock Issued	4,375,600 shares

consideration in effecting any merger, it is not necessarily a gauge of true value.

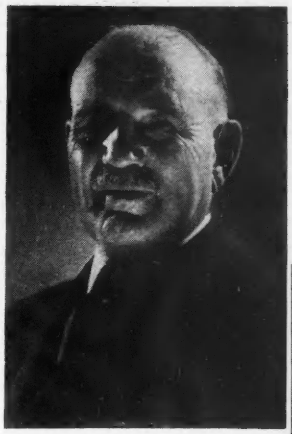
If, however, relative market price is confirmed reasonably closely by asset value, earnings and the respective outlook for the two companies, one is justified in taking it as a reasonable basis on which to work. The balance sheet of Nash as of July 31, this year, gives the stock an asset value of roughly $12 a share, the greater part of which, as has been intimated, is in the form of cash or United States Government securities. Kelvinator's balance sheet as of the same date, showing, of course, considerably smaller liquid resources, gives the stock an asset value of about $15 a share. Hence, this too checks reasonably closely with the 1 3/8-to-1 ratio for the Nash and Kelvinator stocks respectively.

In the matter of earning power, the advantage is heavily with Kelvinator. For the ten months to July 31, 1936, the maker of refrigerators reports a net profit of $1,478,084, not including the company's share of the undistributed net profits of subsidiaries not consolidated. This figure is equivalent to about $1.24 a share on the 1,196,800 shares of Kelvinator which have been issued. In somewhat unfavorable contrast, Nash reported a loss from operations for the eight months to July 31, which was turned into a net profit for the period amounting to $456,805 by "other income." This was equivalent to about 17 cents a share on the outstanding common stock.

A moment's thought, however, indicates that possibly this discrepancy in earning power is not as great as it seems. One must remember that the independent manufacturers of automobiles are only just about emerging from "red" figures. Nash, indeed, may be said to be actually at the pay point—a point which always shows a company in an unfavorable light on the basis of earning power, but from which the improvement may well be quite rapid. In the recent business recovery there have been countless instances of stocks selling for fifty or a hundred times earnings of a few cents a share, but which a few months later were paying substantial dividends. If one gives Nash any credit at all for improved earning power from this point, the comparison with Kelvinator on the score of earnings becomes less adverse. Of course, if the business recovery continues and Nash does better, Kelvinator is likely to do better, too, but even so the gap between the companies might be expected to narrow.

Looking at it from all points of view, one cannot escape the conclusion that this merger is soundly conceived and that the basis on which it is to be carried out is fair and equitable to both sides. Assuming that the necessary two-thirds of the stock of each company approve the plan for consolidation when it is submitted to them later this month, let us take a look at the new Nash-Kelvinator Corp. In the first place the new company will have total resources of nearly $60,000,000 of which more than $40,000,000 will be in the form of current assets. It will possess more than $28,000,000 in cash and United States Government securities. Total current liabilities will be slightly in excess of $6,000,000.

Nash-Kelvinator will have an authorized capitalization of 5,000,000 shares of common stock of a par value of $5 each. Of these 4,375,600 will be issued, while



LEFT: Charles W. Nash who is to be chairman of the proposed Nash-Kelvinator combine. Twenty years ago Mr. Nash resigned the presidency of General Motors to make his own car. More than $100,000,000 in dividends attest his success.

RIGHT: George W. Mason, who is to be president of the proposed merger. Mr. Mason brings to the new company, not only a successful record in the keenly contested refrigerator field, but considerable automobile experience as well.

the outstanding number will be some 135,000 less. The holders of the common stock will own the business lock, stock and barrel, for the new company will have neither preferred stock nor bonds. Something less than two-thirds of the stock in Nash-Kelvinator will be owned by old Nash stockholders and something more than one-third will be owned by old Kelvinator stockholders.

And what might the stockholder in the new company expect in the way of earning power and dividends? This, of course, is a hard question to answer. Usually in the case of mergers, no matter how well conceived and logically based, there is a period of consolidation during which it appears that the united organization was not the brilliant idea its sponsors claimed. This is because it takes time to get two big businesses operating together smoothly under one head. There are frequently personnel troubles of one kind and another. Then there is the expense of the merger itself which it is customary to charge off against earnings as soon as possible.

Nash-Kelvinator cannot reasonably expect to escape all such difficulties. Thus, stockholders should not expect immediate miracles; they should be patient and give the merger a chance to work out. Even so, one might guess that the unified organization will start out with earning power at the rate of at least $2,500,000 annually. This, on the basis of the stock to be outstanding, would be equivalent to some 60 cents a share. Does this mean, then, that the stockholders of Nash, who are currently receiving dividends at the rate of $1 a share annually will suffer a reduction in their incomes? A temporary reduction for Nash stockholders seems quite possible unless the automobile division of Nash-Kelvinator should develop with exceptional rapidity. One must remember that Nash has been paying its present dividend largely out of surplus (*Please turn to page 256*)

A Merchandise Chain Revitalized

Successful Reorganization Paves Way for Attractive Earnings

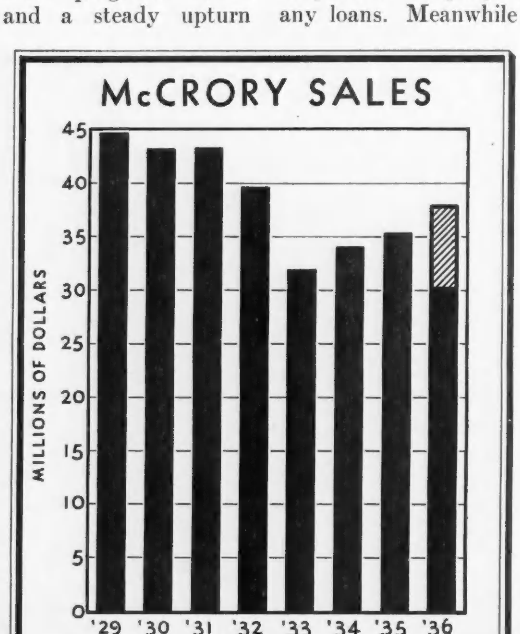
BY STANLEY DEVLIN

INVESTORS as a rule are inclined to regard the new securities of recapitalized companies with more or less skepticism, particularly if the recapitalization was the culmination of a period of receivership. This attitude is an understandable, if not always a justifiable, one. Much depends upon the manner in which the receivership was conducted and the extent to which the reorganization corrected the factors responsible for the company's difficulties. A carefully formulated plan of reorganization, designed to recognize the realities of immediate circumstances and not stress too greatly the potentialities of the future, may well develop valuable investment opportunities.

McCrory Stores Corp., a variety chain store organization, emerged from receivership on May 5 this year and has since shown excellent progress. Sales have increased substantially and a steady upturn in earnings has given considerable weight to the possibility of a dividend before the year-end.

Far from being an unseasoned enterprise, McCrory Stores may trace its corporate history back to a single store established in 1882. The present organization was incorporated in 1915 and at the end of 1929 comprised a system of 245 stores retailing a wide variety of merchandise, ranging in price from 5 cents to $1. In 1929, the company earned the equivalent of $4.20 a share for its stockholders, but a little more than three years later found the company making a voluntary petition for bankruptcy.

The most frequent cause of financial difficulties is the inability of a company to support a burdensome capital structure. Such was not the case with McCrory Stores, however. At the end of 1931, the company had current assets of more than $6,000,000, while current liabilities amounted to about $2,500,000. Cash totaled some $892,000. The following year, it will be recalled, marked the depths of the depression, and McCrory experienced a sharp falling-off in sales. Total sales for the year were down more than 8 per cent, the decline in December alone having been more than $1,000,000 from the 1931 level of holiday business. It had always been the policy of the company to borrow from the banks necessary funds to finance its inventory needs and all such previous loans had been promptly discharged. Bankers, however, enveloped in the gloom of 1932 and viewing apprehensively the sharp drop in the company's December sales declined to make any loans. Meanwhile large creditors of the company were pressing for settlement. Also during this period of business stress, the company was under the necessity of supporting boom-time rentals, while sales were at a depression low. Such were the circumstances which led to the application for bankruptcy early in 1933.



At the end of 1931, capitalization of McCrory Stores comprised 50,000 shares of 6 per cent preferred stock, $100 par, 376,721 shares of common stock and 80,884 shares of class B stock. There were $4,755,000 5½ per cent debentures due 1941 outstanding and purchase money and mortgage obligations amounted to $1,294,865. In all, three plans of reorganization were formulated before the Courts found

(Please turn to page 252)

New Comers to the N. Y. Stock Exchange

Diversity of Companies Which Have Recently Come on the Big Board

BY J. S. McCORD

PRIOR to the passing of the two Securities Acts and their administration by the Securities & Exchange Commission there were many sound, well-managed companies whose securities were unknown outside the immediate circle touched by their own operations. Now, however, that regulation has come to dealings in stocks and bonds—regulation which has as its keynote "more information for the investor"—these securities are being listed on the New York Stock Exchange and made available on a national scale. They come from Chicago, Philadelphia and elsewhere. The list below contains a number of recent new comers to the "big board"; although not all as yet are traded thereon, their New York Stock Exchange listing has been approved.

New Comers to the New York Stock Exchange

Company	Earned per Share 1st 9 mos. 1936	Recent Price	COMMENTS
Black & Decker Manufacturing	$2.74a	$30	Company's chief line consists of portable electric tools, for which the largest demand comes from the automobile industry. Evidence of full participation in the business recovery is gathered from the fact that in 1932 production totalled but 10,000 units, while last year's output was some 71,500.
Butler Bros	.09c	16	Operates both as a wholesaler of dry goods and an operator of a chain of variety stores; also does a mail order business. Although the company has not long turned the corner, the outlook for retail trade is bright and the recovery in earning power from this point may well be fast.
Central Foundry	NF	7	This company is the outgrowth of a reorganization of the old Universal Pipe & Radiator Co. Will benefit from building activity.
Champion Paper & Fibre	1.27b	31	Important manufacturer of papers for printing and commercial uses other than newsprint. New Texas plant will be in operation shortly. Outlook for paper companies is generally improved.
Crane Co	NF	45	Manufacturer of valves, heating and plumbing equipment. Is a beneficiary of construction activity of all kinds, although industrial processes also result in a big demand for the company's products.
El Paso Natural Gas	1.75	23	Buys natural gas, moves it over 800 miles of owned pipe line, and sells at wholesale. Recent gains in earning power have been rapid and a 40-cent initial dividend is to be paid on the common stock at the year end.
Florence Stove	NF	48	Output comprises stoves, ovens, ranges, heaters, using oil, gasoline and electricity. Sears, Roebuck owns nearly half the outstanding stock and last year took 58% of the output.
Masonite Corp	2.50d	55	Profitably engaged in the manufacture of fibre board. Recently declared a 25-cent extra in addition to the regular quarterly dividend of the same amount.
McGraw Electric	3.70a	41	Electric toasters and waffle makers comprise the company's main line. Earning power currently is good.
Nationa Malleable & Steel Castings	2.23c	52	Field includes iron and steel castings, chains and various railroad specialties. Curren tearnings are good and the outlook appears bright.
Pacific Finance of California	1.74c	35	The same favorable factors operative over the past few years that have so favorably influenced the business of the larger finance companies, long-listed on the New York Stock Exchange, are pertinent to this case.
Parker Rust-Proof	1.72	27	Supplying rust-proofing chemicals, largely to the automobile industry, the company has been a beneficiary of the sharp up-turn in motor car output.
Pennsylvania Glass Sand	.86	20	The company's business is the mining and preparing of silica products for the glass and ceramic trades. Foundries and manufacturers of refractories are also customers. Has demonstrated good earning power except for the worst depths of the last depression.
Texas Gulf Producing	.69	6	A Texas oil producer. Net production in the third quarter of the present year amounted to 460,560 barrels.
United Engineering & Foundry	1.55c	50	Designs and manufactures heavy steel mill machinery for operation both at home and abroad. Has been, and will continue to be, helped by industrial renovation and expansion. Has an uninterrupted dividend record on the common stock since 1902.

a—Year to September 30. b—Twelve months to August 18. c—Six months. d—Year to August 31. NF—Not available.

Bright Outlook for Office Equipment

Leading Companies Have Big Year Ahead

BY MUNROE E. MARSHALL, JR.

Gendreau

As the year draws to a close, it becomes apparent that leading manufacturers of business and office equipment will make the best showing, both in sales and earnings, since 1929. Aggregate profits are expected to be as much as 25 per cent higher than in 1935. Further, there is every reason to expect that the conditions with which the industry has been favored during the past year or more will be equally effective in 1937.

Looking ahead to next year, replacement demand appears to be the most dependable factor in the 1937 prospect for the business equipment industry. Although a rising volume of business has encouraged the purchase of new office appliances, reliable surveys indicate that there is still in use a large quantity of outworn and inefficient typewriters, calculating machines, bookkeeping equipment and the like, a reflection of the subnormal purchases during the depression years. Manufacturers of this type of equipment are counting heavily on this potential demand, and with continuing factory and office expansion requiring larger clerical forces and general employment, the hopes of the industry appear to be well founded.

Sales of business equipment, not necessarily for replacement purposes should likewise continue to expand, responding to the increasing necessity of maintaining full and accurate records to meet the requirements of multiple taxation, social security, and government regulation. Competitive success may often be determined by a relatively slight difference in profit margins and all business is under the necessity of availing itself of every feasible method to forestall rising costs. This condition gives the manufacturer of business equipment a strong sales argument if he can demonstrate a valuable savings in time and labor for his devices. And there is no doubt that he can.

Leading manufacturers have not neglected the opportunities for research and improvement and many of the most important developments, resulting in greater efficiency and broader purpose, were perfected during the darkest days of the depression. In not a few instances engineering advances both in the design and performance of office equipment have been really startling and some of the calculating and tabulating machines appear to have been invested with a mechanical brain. This type of equipment is, of course, expensive, but it can be adequately demonstrated than it more than "earns its keep."

Actually, there has been a substantial gain in the demand for the more costly types of equipment during the past year, a trend which has contributed even more substantially to makers' profits. The increase in net profit in some instances has been as much as 100 per cent, reflecting the wider margin realized on higher priced units. The prospect at this time, however, is for better profit margins on all types of equipment, particularly typewriters and calculating and accounting machines. Not only have prices been stronger but allowances on used equipment have been reduced and the supply of second-hand machines has been materially lowered, almost in fact to the point of virtual exhaustion. Previously stocks of used equipment had been a retarding factor both in sales and prices.

The likelihood of accelerated export demand rounds out the favorable prospect for 1937. Of the leading

manufacturing industries, there is none which is more actively engaged in cultivating the foreign market than the makers of business equipment. All of the leading companies have foreign branches, as well as manufacturing, assembly, and parts divisions located abroad. During the 1926-30 period exports of office equipment averaged about $45,000,000 annually. In 1933, exports were less than $16,000,000, but accounted, nevertheless for about 25 per cent of the total production of business equipment that year. Exports last year exceeded $27,000,000 and thus far this year have gained moderately. Current gains doubtless would have been larger had it not been for internal disorders, and currency uncertainty. The industry, however, expects beneficial effects from the devaluation of gold bloc currencies and the subsequent currency agreement. While prices of American office equipment were automatically increased as a result, leading manufacturers are of the opinion that if general business abroad improves, higher prices will have little or no restricting effect upon purchases. American office equipment is recognized the world over as being vastly superior to the foreign product and generally preferred by business men everywhere, even though the cost is higher. Equipment manufacturers have also derived considerable benefit from the trade treaties, most of which contained some concession favorable to business machines and appliances. It can not be expected, however, that export demand will attain normal proportions so long as political disturbances and war threaten to disrupt commerce and industry. The probabilities are that for the next twelve months, at least, business abroad may show further improvement and an enlarged demand for American office equipment would be a logical corollary.

The character of the business equipment industry has changed somewhat in recent years, the manifestation of which is to be found principally in the increasing diversification of output by the leading companies. As a result there is considerable overlapping of output, and fields which formerly were practically in the sole possession of one or two companies must now be shared, more or less, by other units which have broadened their scope to include a more complete line of office equipment. This, of course, has meant increasingly keen competition which, for the most part, however, is not of the cutthroat variety, but orthodox business rivalry based on merit and performance, rather than price.

National Cash Register

National Cash Register Co. affords an excellent example of this tendency toward greater diversification. The world's largest manufacturer of cash registers, the company in recent years has broadened its output to include the Ellis adding typewriter, posting machines and specialized equipment for brokerage houses, utility companies and hotels. Meanwhile, the company has retained its dominant position as a manufacturer of cash registers, by constant improvement and refinement of its many models. Assembly and parts plants are maintained in Canada, England and a large interest is held in a leading Japanese manufacturer of cash registers. From German sources, it is reported that the company's German subsidiary has been consolidated with the cash register division of Krupps, the latter retaining a minority interest. This arrangement carries considerable potential advantage to National. Domestic sales this year have registered a gain of more than 30 per cent in the first ten months and profits for the first nine months were equal to $1.09 a share on the 1,628,000 shares of stock, comprising the entire capitalization. For the full year, net may exceed $1.40 a share. On the basis of these earnings and adequate working capital, increase in the aggregate dividends of $1 declared this year would be warranted. The shares at 30 are a worthy candidate for longer term funds.

International Business Machines

International Business Machines Corp. has distinguished itself by an exceptionally able earnings performance during the depression, and even in 1932 when business was at its lowest ebb, the company earned over $8 a share on its stock. Earnings have acquired an unusual measure of stability, partly because much of the company's equipment is leased to users on an annual rental basis, and partly because of the company's accounting practice which spreads costs to conform with revenues. International is the foremost manufacturer of specialized tabulating and sorting equipment and the necessary cards and forms for the use of this equipment. In addition, the company makes time-recording machines, weighing equipment, electric typewriters and equipment for transmitting messages by wire or radio which are automatically reproduced at the receiving terminal. At the recent Business Show in New York City, International exhibited, among other products, a finger print assorting machine and a traffic recording device. The company has contracted with the Social Security Board to lease equipment for recording salary data, etc., at a rental of $438,000 annually. The company's business is truly international in scope, embracing some 75 foreign countries and accounting for about 20 per cent of the total volume. This year earnings are at the best levels in the company's history, with net equal to $7.76 a share on 738,934 shares of capital stock in the first nine months. The regular cash dividend of $1.50 quarterly will be augmented by an extra of $1.50 and 5 per cent stock dividend, the latter payable April 1, next. In addition to the stock there is outstanding an issue of $10,000,000 3 per cent deben-

(Please turn to page 256)

Stocks of Representative Manufacturers of Business Equipment

Company	Earnings Per Share 1st 9 mos. 1935	Earnings Per Share 1st 9 mos. 1936	Price Range 1936 High	Price Range 1936 Low	Recent Price	Divs. Dec'd 1936
National Cash Register....	0.61	1.09	31⅞	21½	30	1.00
International Bus. Mach....	7.39	7.76(c)	188	160	184	7.50*
Burroughs Adding Machine	0.51(b)	0.68(b)	34⅛	25	30	1.20
Underwood Elliott Fisher..	2.78	2.76(c)	99	74⅝	85	2.87½
Addressograph-Multigraph.	0.62	1.17	37¼	22⅛	33	0.95
Royal Typewriter.........	3.11	6.15	98½	38⅞	93	None
L. C. Smith & Corona Type	1.70(a)	3.25(a)	34⅞	19½	28	0.25
Remington Rand.........	0.32(d)	0.20(d)	25	17½	23	0.60*

(a) Fiscal year ended June 30. (b) 1st 6 mos. (c) On increased number of shares. (d) 6 mos. ended Sept. 30. * Plus stock.

Understanding Today's Market Fluctuations

Aviation and Baking Stocks in the Limelight

BY FREDERICK K. DODGE

ANOTHER flare-up of European war scares has generated great interest in the aircraft stocks in recent weeks. What with the Italian and German recognition of the Fascist government in Spain, General Franco's order for a blockade of Barcelona, and Great Britain's announcement that she would protect her shipping in the event of blockade of Spanish ports, it was only logical to assume that additional fillip will be given the production of armaments in nearly all countries. The war efficiency of aircraft in the conquest of Ethiopia was strikingly demonstrated, and is continuing to be proved in the Spanish arena, so that manufacturers of airplanes, engines and accessories appear to be in an excellent position to garner larger volumes of business as the world-wide armament race proceeds. Little wonder then that market interest of late has turned from many other sections of the list to the aircraft group, with its relatively small number of representative issues.

United Aircraft, Boeing, North American Aviation, Sperry Corp., and Curtiss-Wright A; all have been among the most active issues in recent market sessions. Prior to the election these stocks had displayed a general tendency to form a "line" on the chart, usually indicating a period of consolidation and the building up of technical strength through the process of "digestion."

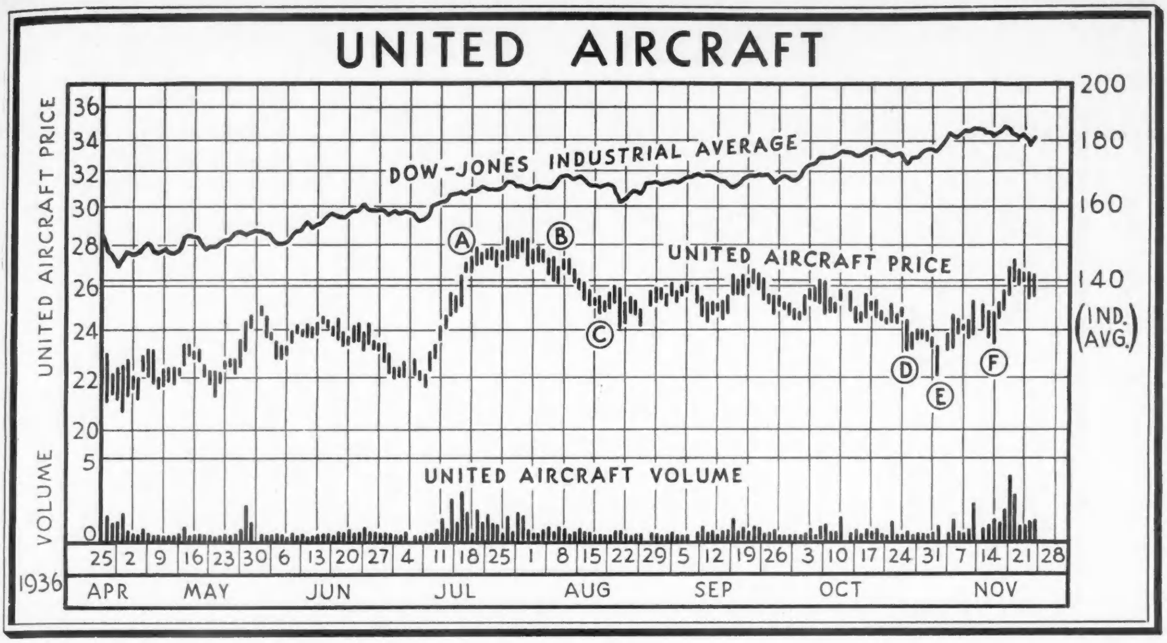
Appreciation in the group had been outstanding following the lows of the April readjustment in the speculative list, and it was a sign of underlying strength that most of these stocks made this "line" thereafter, rather than declining to correct for any over-speculation that might have been going on during the previous rise. It is true that immediately prior to election prices did decline for a brief ten-day period, but this can be almost wholly ascribed to the publication of a poor earnings report by Douglas Aircraft, which company had been plowing back earnings in anticipation of greater business volumes in the future.

This short period of relative weakness, however, turned out to be the start of inverted "head and shoulders" formations in the price fluctuations of the majority of the aircraft issues. The "head and shoulders" bottom is one of the most common of the formations indicating accumulation, and is assiduously looked for by all students of market action primarily interested in short and intermediate term trading. Prices of leading aviation issues declined for a week or so to a point forming left shoulders, then rose and declined again to form so-called heads, lower than the left shoul-

Keeping Up With the Active Stocks

	Shares Outstanding	Dividend	Recent Price	Approx. Yield	Annual Earnings 1934	Annual Earnings 1935	Interim Earnings 1935	Interim Earnings 1936	Price Range 1935 High	Price Range 1935 Low	Price Range 1936 High	Price Range 1936 Low
Radio Corp. of Am.	13,897,209	....	11⅞	....	d0.10	d0.04	0.05je6	0.01je6	13⅜	4	14¼	9¾
Paramount Pictures	1,610,452	....	21½	....	....	0.79	0.83je6	d0.43je6	12	8	22⅞	7⅛
Alleghany Corp.	4,298,447	....	5⅛	....	d1.12	d0.93	....	....	3⅜	¾	5½	2½
Elec. Power & Light	3,421,354	....	19⅜	....	d1.63	d1.40	d1.66se12	0.41se12	7½	1⅛	19⅜	6⅜
Warner Bros. Pictures	3,701,091	....	17⅛	....	d0.77ag12	0.07ag12	0.02my9	0.60my9	10⅜	2¼	18¼	9¼
Cont'l Baking Corp. "B"	2,000,000	....	3⅜	....	d1.73	d1.78	d1.43se9	d0.86se9	1⅞	⅝	4	1⅝
Radio-Keith-Orpheum	2,577,554	....	8	....	Deficit	Deficit	....	....	6	1¼	10⅞	5
No. American Aviation	3,435,033	....	11⅛	....	d0.30	d0.01	d0.02je6	0.03je6	7⅜	2	11¼	6⅝
Stone & Webster	2,104,391	....	24⅛	....	d0.46	0.04	d0.38je6	0.19je6	15⅛	2½	24¼	14⅝
Walworth Co.	1,334,100	....	11⅛	....	....	....	d0.17je6	0.06je6	....	....	11⅛	5½
U. S. Rubber	1,464,371	....	47¾	....	d3.93	d2.03	d1.33je6	d0.28je6	17¼	9⅛	47⅞	16⅜
Gen'l Baking Co.	1,588,697	.70*	18¼	3.7	0.78	0.91	0.54se9	0.82se9	13⅜	7⅜	20	10¾

*—Including extras. d—Deficit. je6—6 months ended June 6. se12—12 months ended Sept. 12. se9—9 months ended Sept. 9. my9—9 months ended May 9. ag12—12 months ended Aug. 12.



ders. Subsequently right shoulders were outlined in the price fluctuations, which, incidentally, in most stocks in the group, were higher than the left shoulders, indicating greater underlying strength than otherwise would have been the case. During the progress of these formations the volumes of transactions were low or were gradually declining, nearly always a confirmatory development tending to give greater confidence in the indications given by the price movement. These technical evidences of underlying strength resulted in strong upward price movements in the aircraft group beginning in the third week of November. Concomitantly the war news background had become favorable to this section of the list, and those who had watched carefully for technical signals were prepared to act quickly in this section of the list, which at that time promised to provide relatively great appreciation over the short and intermediate terms.

The graph presented with this article shows the price fluctuations of United Aircraft since April, 1936, drawn to a ratio scale. Volumes of transactions are fitted to an arithmetic scale. The July mark-up in the stock was followed by a "rounded top" on declining turnover, indicated on the chart by A—B. This formation is a technical sign that an intermediate move is in process of spending itself out. An entirely normal technical correction followed, canceling approximately one-half the preceding rise. The price fluctuations then proceeded to form a long "line" closely confined within upper and lower limits (C—D on the graph). At D the price broke through on the downside forming what later turned out to be the left shoulder of a "head and shoulders" bottom, with the head at E and the right shoulder at F. A bullish technical signal was clearly given with completion of the right shoulder at F, and it will be noted that immediately thereafter the price rose on increasing volumes of trading. This technical manifestation was particularly interesting because of the fact that United Aircraft had been a laggard in the market for several months, and therefore it was also reasonable to assume that the stock was in stronger hands than otherwise might have been the case. Deductive reasoning combined with technical indications marked the stock as one in an extremely strong underlying technical position, and the recurrence of threats of war overseas was all that was necessary to bring about a spontaneous rise in the price of this leading issue in the armament group of securities.

Baking Stocks to the Fore

The increasingly more favorable outlook for profitable operations in the baking industry has served to keep representative issues in this small industry in the speculative limelight. Here again, technical indications have been exceedingly helpful, particularly in deciding the question as to whether or not very substantial profits available to many operators should be taken. This question is a lively one for the reason that the leader in this industry, National Biscuit, has recently been quite strong on far greater turnover than has been seen for nearly a year. Such a development provides a good opportunity for speculators in the smaller and sometimes weaker company stocks to take advantage of the fact and switch holdings to the leader or to stocks in other industries, in the interests of placing funds in a higher caliber status or to shift to new situations. Granting, however, that technical indications in the price movement of National Biscuit have been quite favorable, an examination of the market actions of Continental Baking A, General Baking, and Purity Bakeries would have disclosed no good technical reason why these issues should have been abandoned. It has been apparent for many months that in every instance when prices of these stocks have levelled off, or have receded slightly, volumes of trading declined substantially. Triangular and line formations, moreover, have been characteristic of the price movement in (*Please turn to page 249*)

Higher Prices for Rubber Indicated

Heavy Demand by U. S. Consumers

BY C. S. BURTON

THERE has been a rather remarkable unity in the movement of commodities upward. Now rubber joins the march and scores a six-year high mark of 18 cents per pound, the best price since 1929 and there is plenty of room for further advance coming up from its all-time low of $2\frac{3}{4}$ cents in June of 1932.

Market interest in crude rubber, just at this time is in the increase in consumption, outrunning the rubber coming to market and so cutting into stocks on hand.

We move on rubber and we move miles where the horse-drawn vehicle was comparatively stationary; thus, as raw material, crude rubber is a natural resource in which we have a most vital interest, but have no domestic production whatever, nor any usable substitute—usable, that is, in price or quantity.

The quantity of rubber which comes to the market is in the hands of the Rubber Regulations Committee, which sets a quota of permissible shipments from the producing countries of the Straits Settlements, Federated Malay States and the Netherlands East Indies. Permissible exports are percentages of basic quotas as determined by the Committee from time to time. The quotas calculated from current production in 1933, effective June 1, 1934, assigned to Malaya, 48 per cent; to Netherlands East Indies, 33 per cent, and the remaining 19 per cent to other countries.

The Committee has an advisory board of three, representing manufacturers of England, the Continent and the United States. It thus appears that while we account for more than half of the consumption of rubber, we have only one member of a mere advisory board to speak for us. Of course, the rub is, and was, the competition among growers. Our manufacturers have had plenty of experience with huge inventory losses, as growers continued to sell at any price obtainable.

The basic output figure for 1937 is fixed at 1,258,500 long tons of 2,240 pounds. On this basic figure, the quota for January to June, 1937, is fixed at 70 per cent.

In view of anticipated further advance in price, the meeting of the Regulation Committee on Dec. 15th will be followed with interest in the possibilities of raising the quota for producers of crude.

It has been set out so often in these columns that restriction encourages outside production that it should be quite in order to note that increasing quantities of outside rubber are coming from Mexico, from South America and from Africa. The trade is adding some 24,000 tons from these sources to its calculations as to total permissible shipments in 1937 and it is also quite in order that this outside production is increasing some 25 per cent per annum.

Here are the figures that lend interest to the 18-cent price for rubber and cause the trade to sharpen pencils and begin figuring possible further advances and also to study the declaration of the Regulations Committee's "object of reducing existing World Stocks to a normal figure and adjusting in an orderly manner, supply to demand and maintaining a fair and equitable price which will be reasonably remunerative to producers."

An encroachment upon stocks in hand and afloat is indicated by the figures shown in Table I and it immediately becomes of first importance to arrive at some conclusion as to the Committee's idea about what is a "fair and equitable price."

It was expected in some quarters that the devaluation of the guilder would be a factor in the world rubber market, in the primary market of Singapore. It rather appears that each of these measures of devaluation beginning with the pound sterling, has had surprisingly

Table I

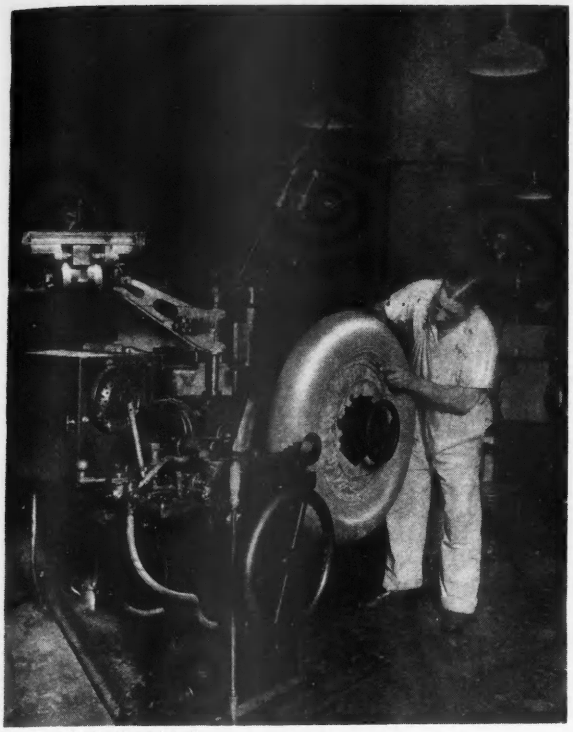
Position of Rubber as a World Commodity

	Long tons
World Cumulative Shipments January to Sept. 1936	619,260
World Cumulative Absorption January to Sept. 1935	730,892
Total Imports into U. S. January to Oct. 1936	339,545
Consumption in U. S. January to Oct. 1935	473,593
Stocks in U. S. as of January, 1936	285,054
Stocks in U. S. as of Oct. 1936	219,553
Total World Stocks January, 1936	649,351
Total World Stoc'ks Aug. 1936	542,285

Table II

United States in the Rubber Market

1936	% U. S. Consumption to World Absorption	% Stocks in U. S. to World Stocks	% Imports into U. S. to World Shipments
January	58.06	54.20	54.20
February	54.02	53.76	53.97
March	53.56	50.42	52.72
April	61.78	76.52	58.30
May	56.43	53.95	57.38
June	59.36	57.72	57.44
July	55.96	47.66	55.71



Courtesy B. F. Goodrich Co.

Building a Heavy Duty Pneumatic Truck Tire

little effect upon the current prices of commodities. Various foreign buyers have had an advantage—and used it—in our security markets, but commodities have seemed to largely ignore such changes so far as price advances or declines are concerned.

For the rubber manufacturers to feel comfortable about raw material, they like to have about six months' supply in hand here or afloat to the U. S. Rubber moves by slow boats and there could be no way of hurrying supplies to meet any kind of an emergency. Usually rubber afloat means some six or seven weeks' supply. With the automobile industry in the strongest position in its history and the tides of traffic increasing, it is anticipated that the all-time high mark of monthly consumption of 52,636 tons made in June of this year is likely to be quickly over-topped.

The figures in Table II, p. 236, are given to show the commanding position of the U. S. as a consumer, taking the first seven months of the current year.

Of our use of more than half of the world production of crude rubber, so far this year we have bought 62 per cent of the rubber from Malaya, 80 per cent, in turn, is compounded with sulphur and carbon black and built up on the stoutest cotton base, goes to the ultimate consumer as a tire for a pleasure car, truck, tractor, trailer or airplane landing gear.

Up to the end of July of this year, tire companies had turned out, since January 1, 32,694,000 casings, a record figure and well up toward capacity as estimated by some well-known trade authorities.

Automobile tires are so much heavier than in earlier years that fewer cars take more rubber, for example, in 1929, the public bought 5,622,000 cars and the tire makers used 393,000 tons of rubber. In 1935, the dealers sold 4,120,000 cars which required 394,000 tons of rubber. In addition to the heavier tire, car builders are finding many other uses for rubber, cushions for mounting the engine on the frame, and other shock absorbers here and there.

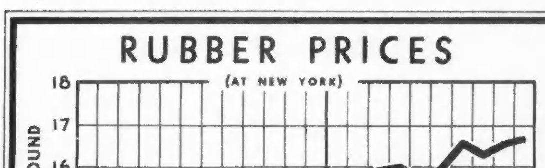
Farm equipment is taking to rubber, the truck is being replaced to an important extent on the farms by rubber-tired tractors and rubber-tired trailers, all of which calls for more and more rubber.

Thus with world stocks declining and consumption increasing, it is to be expected that some increase in the prices of tires will be made. The automobile tire is one of the items of mass production in which the ultimate consumer has been given even more than his share of the advantages achieved in the industry. The product has been constantly improved, brought to a marvelous degree of perfection in fact, and the price has been steadily reduced for the benefit of the user. Tires last longer, mileages are guaranteed, tires are given new treads, all of which works against the replacement business and makes altogether too comfortable a situation for the car owner. A sharp advance in the price of tires might bring to him a keener appreciation of what mass production and never ending research does for him and it would be an equally excellent thing for the tire makers. There are already some slight price changes going into effect amounting to about 4 per cent.

To take a further look ahead, there appears to be a slightly murky horizon. From what has been written, it is plain that the present situation is held steady by the Regulations Committee. This Committee comes to an end by agreement in 1938. Unless a new agreement is forthcoming, it is possible the entire industry may again find itself wrestling with chaotic, costly overproduction stimulated by high prices.

The rubber industry in our own country, more than equal to that of all the rest of the world combined, is like all Gaul, a tripartite affair. Tires and tubes, rubber boots and shoes, and miscellaneous rubber goods—countless items. Tires and tubes account for 56 per cent of the wage earners in rubber, 61 per cent of the total wages, and 63 per cent of all the value added by the processes of manufacture.

As to the business of tire makers, volumes have been written and there are more to come. A long story with many phases, but never a dull chapter.



Taking the Pulse of Business

— **Steel Price Advance**

— **Building Activity Grows**

— **Carloadings Up**

— **Christmas Buying Large**

WITH resumption of operations by Ford assembly lines automobile production has again expanded to well above 100,000 units weekly, and this development, along with somewhat better than seasonal improvement in car loadings and the steel ingot rate has served to end the minor business recession which set in during the closing week of September. In fact the Index of per capita Business Activity has advanced two full points since our last issue to 92% of normal, a level 22% above last year, in spite of a rather sharp temporary dip in check payments. Were it not for the shipping strike and scattered labor trouble in other areas, which are preventing normal increases at the present time in electric power output and are directly or indirectly responsible for less than normal seasonal gains in coal production and in lumber shipments, recovery would have made even further progress. Should the more important of these strikes be settled promptly, the expansion in Business Activity would be unusually swift up to the year-end holidays.

The epidemic of wage increases and extra year-end dividends, combined with higher farm buying power, is causing a near boom in the merchandising field. Christmas shopping has begun early this year and promises to reach record proportions in a number of lines and localities. In the wholesale trade so many difficulties in filling re-orders are being encountered that stores this autumn may lose close to two hundred millions in possible sales through inability to secure adequate stocks of certain lines of merchandise which are in greatest demand.

So marked a contrast as the country is now experiencing between almost complete recovery in consumer goods lines and the backwardness of capital goods industries has never occurred in previous business cycles; but is a natural consequence of the New Deal's determination to divert a larger share of the national income into channels where it is more likely to be spent for personal utilities than for producers' goods. This is likely to have far reaching consequences which merit the thoughtful attention of business men and investors.

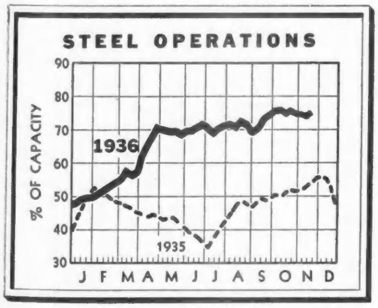
There seems to be little doubt that the new surtaxes on undistributed profits are not only partly responsible for the magnitude of recent wage increases and year-end dividend disbursements, but also tend to discourage the retention of profits which hitherto have been re-invested in plant and equipment. In some Administration quarters the answer is that this will prevent the over-expansion in capacity which is held at least partly responsible for the 1929 crisis. But there is a large loophole in the logic of which the Administration is rather anxiously cognizant. The hard fact is that business expansion is financed not only from corporate and private savings, but also (directly or indirectly) through bank credit. Having laid a foundation, through Government deficits and currency devaluation, for the greatest potential expansion in bank credit the world has ever seen, the Administration finds itself in the awkward position of touching off a commodity price boom through higher wages and bigger distribution of earnings, while at the same time trying to discourage the accumulation of corporate surpluses and a runaway stock market.

A recent prediction by Senator Harrison, chairman of the Finance Committee, that the Federal budget will be "balanced by the fiscal year, 1938" may prove correct. With expanding prosperity the relief load will dwindle and tax receipts increase. Internal revenue for the first four months of the present fiscal year was 16.5% ahead of the corresponding period a year ago,

and should go on climbing. But balancing the Government budget will remove only the abnormal cause for expansion in bank credit. It will not prevent, in fact may well encourage, what is ordinarily considered a normal process of bank credit expansion through orthodox business channels. In its economic effects any abnormal extension of bank credit to private borrowers is quite as inflationary as the financing of Government deficits. If the United States stood alone in this predicament the problem might not be so difficult; but practically every civilized nation in the world has contributed its quota to the existing money glut through similar government deficits and currency devaluations.

The Trend of Major Industries

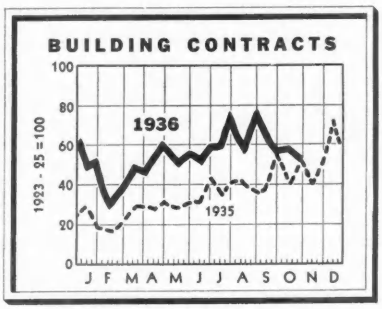
STEEL—To compensate at least in part for recent wage increases and higher cost of scrap and other material, prices of finished steel products have been advanced by $2 to $4 a ton on all new business booked after November 30. Tin plate prices will remain practically unchanged for the coming season; though there is considerable talk of a $3 boost in rails before the year-end. Some protective buying of steel is likely to be driven in during the short time remaining before higher price schedules become effective; but this will probably not lead to any appreciable increase this year in operating rates, since most mills are already working at practical capacity unless obsolete equip-



ment should be pressed into service. Aggregate earnings of 17 leading steel companies for the third quarter were about 12% ahead of the corresponding 1935 period; but comparative gains for the fourth quarter are likely to be smaller—partly because profits picked up substantially during the fourth quarter last year, and partly because most deliveries this year will be on business booked prior to recent price advances.

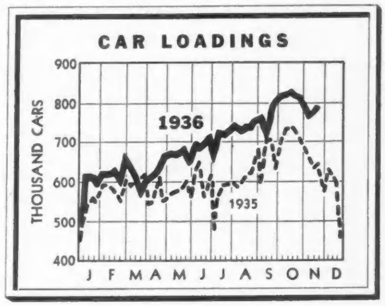
PETROLEUM — Motor fuel inventories have actually fallen off a bit during the past month and are now only 8% larger than a year ago, despite an estimated increase of 9% in consumption for the final quarter. Of crude oil there is only a 30-days' supply available for immediate use, which barely suffices to ensure against possibilities of delays in transportation in event of labor trouble. Meanwhile the demand for fuel oil is developing into a major factor in the industry, as may be gathered from a recent report that orders for domestic oil burners during the first nine months gained 38% over the corresponding period last year, while sales of distillate oil burners increased 85%.

CONSTRUCTION—Rising wages and more liberal dividend disbursements, along with mounting employ-



ment should not only speed up the demand for private residences, but also for rented living quarters in consequence of the "undoubling" of families. Predictions are being heard that the greatest housing shortage in years is likely to develop in large urban centers during the next few years. Signs of an incipient real estate boom may be seen in the growing amount of speculative buying of apartment houses, some of which have already changed hands several times since emerging from receivership.

RAILS—The first 11 roads to report for October show a gain over last year of 16% in gross and 17% in net operating income against increases of 19% and 27%, respectively, in September. Car loadings are running currently about 15% ahead of last year. President Litchfield, of the Goodyear Tire & Rubber Co., points to the move toward decentralization in industry of recent years as one of several factors which have prevented rail traffic from keeping pace with the recovery in industrial production; since branch factories are being re-located nearer to important markets or sources of raw material, thereby effecting savings in transportation charges. The I. C. C. reports that

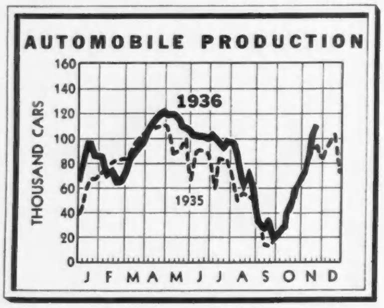


96 railroads, representing 26.5% of the country's rail mileage, are in receivership or undergoing reorganization under Section 77B of the Federal Bankruptcy Act, and adds that there have been more than 1,000 railroad receiverships since 1870. The report concludes that recurring receiverships have been caused largely by insufficiently drastic scaling down of fixed charges. Part of the recent reactionary tendencies in rail shares is attributable to action of the I. C. C. in postponing rate hearings to Jan. 6. The carriers hope that present surcharges, which would otherwise expire on Dec. 31, may be extended until the rate case is decided.

RAILROAD EQUIPMENT — Class I railways placed 27,718 freight cars in service during the first nine months, against only 3,172 during the corresponding period a year ago. Locomotives placed in service during the same period included 59 steam and 21 electric and Diesel engines, against 28 and 101, respectively, during the first nine months of 1935.

METALS—Domestic copper has held steady at 10½ cents during the past fortnight, while foreign prices

have recovered to $10\frac{3}{4}$ cents after a temporary speculative reaction. World apparent consumption in October came to 172,400 short tons, against 160,000 in September. World stocks at the end of October had dropped to only 357,000 tons, against 497,000 a year earlier. Domestic lead stocks at the end of October were off 18.7% from a year ago, and were equal to less than three months' supply, which helps to account for recent price advances. The tin quota of leading producers for the final quarter of 1936 has been unexpectedly increased to 105%, from the previous 90%, of standard tonnages, despite the circumstance

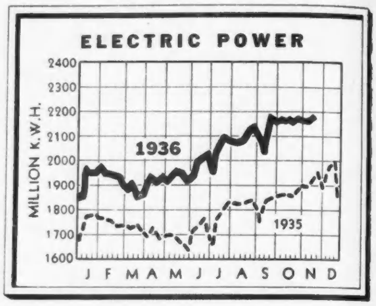


that world visible supplies on October 31 were 7.3% greater than a year ago. Siam has decided to remain in the international cartel. Silver, after its brief speculative flurry, has slumped back to within a fraction of $44\frac{3}{4}$ cents, the old level at which it had been long pegged.

AUTOMOBILES—2,909,000 passenger cars and 652,000 trucks were produced during the first 10 months, against 2,572,000 and 575,000, respectively, for the like period of 1935. Next year's output is expected to reach 5,000,000 units, under the spur of larger industrial payrolls and more liberal dividend disbursements, against 5,621,000 in 1929. Truck production this year should exceed 850,000 units, the largest on record, and 15% ahead of 1935. Next year's increase in output is conservatively estimated at 10%.

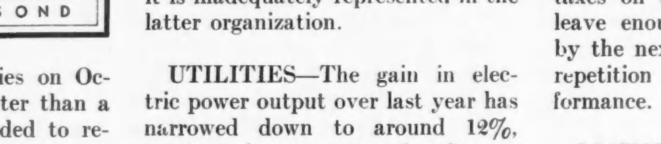
MERCHANDISING — Department store sales in October were 16% ahead of last year, compared with a ten months' gain of only 11%. During the first half of November the increase amounted to 13.9%. Chain stores sales in October increased 19% over October, 1935, against a ten months' gain of 13.7%. With orders pouring in at a rate 30% to 40% heavier than last year, and under a barrage of price advances, dry goods jobbers are at their wits' end in trying to handle business to the satisfaction of retail customers. Members of the National Retail Dry Goods Association are planning to set up a voluntary N R A for the industry to cover minimum wages, maximum hours, and fair trade practices, and the group, which is said to represent 5,000 retailers throughout the country, has decided to withdraw from membership in the U. S. Chamber of Commerce, on the grounds that it is inadequately represented in the latter organization.

UTILITIES—The gain in electric power output over last year has narrowed down to around 12%, partly owing to scattered strikes at industrial plants, and partly because comparisons now are with an exceptionally sharp expansion last year. An executive of the General Electric Co. predicts that the consumption of electric power will reach a peak during the present cycle of prosperity far in excess of 1929. The stability of telephone and telegraph securities as investments is



convincingly shown by a recent analysis which finds that the communications industry disbursed 29% more dividends last year than in 1929. The dividend increases over 1929 were 17.4% for 1930, 28.4% for 1931, 30.3% for 1932, 27.7% for 1933, and 27.1% for 1934. However, it remains to be seen if taxes on undistributed profits will leave enough accumulated surplus by the next depression to permit a repetition of this remarkable performance.

LIQUOR—Five of the biggest distillery companies and seven large trade groups have been cited by the F. T. C. for price fixing. Owing to the time consumed in taking evidence, however, the ultimate findings, even if adverse, will not be handed down soon enough to interfere with currently promising fourth quarter profits.



Changes in Major Commodity Price Group for the Fortnight Ended Nov. 21, 1936

Farm Products	up 1.0	Metals	up 0.8
Foods	up 1.9	Building material	up 0.3
Hides and leather	up 2.1	Chemicals	up 0.9
Textiles	up 1.8	Housefurnishings	up 0.1
Fuel and lighting	up 0.1	Miscellaneous	up 1.9

Conclusion

With automobile plants back into full production business has again resumed an upward trend which should gain considerable headway before the year-end under the spur of rising prices and a near boom in merchandise. Demand for capital goods still lags, but should expand faster from now on.

ESSENTIAL STATISTICS

Finance — Securities — Business

THE MAGAZINE OF WALL STREET'S COMMON STOCK INDEX

1935 Indexes High	1935 Indexes Low	No. of Issues	(1925 Close—100)	1936 Indexes High	1936 Indexes Low	Nov. 14	Nov. 21	Nov. 28
78.6	43.0	295	COMBINED AVER.	103.9	78.4	100.1	102.5	103.9H
119.5	64.1	5	Agricultural Implements	186.9	113.4	180.1	181.3	182.3
41.9	17.8	6	Amusements	66.7	39.9	65.9	66.7H	65.2
116.9	44.6	14	Automobile Accessories	143.5	116.8	139.3	138.3	141.2
17.7	8.8	13	Automobiles	24.9	17.7	23.7	23.2	23.0
108.2	41.3	7	Aviation (1927 Cl.—100)	142.5	104.3	128.4	138.4	142.5H
14.7	7.9	3	Baking (1926 Cl.—100)	23.8	12.6	20.5	23.8h	22.5
325.0	184.9	2	Bot. & Cks. ('32 Cl.—100)	500.9	318.6	486.2	489.3	500.9H
209.9	113.7	3	Business Machines	261.1	202.8	243.6	260.7	257.3
316.6	226.1	2	Cans	287.4	243.1	256.1	253.2	246.4
202.7	144.6	8	Chemicals	237.1	187.5	232.3	237.1h	236.0
42.8	22.6	10	Construction	67.6	42.8	65.4	66.0	67.5
88.6	35.7	6	Copper & Brass	164.4	87.9	151.8	159.1	159.0
39.3	27.5	2	Dairy Products	47.8	39.3	43.8	43.3	42.6
26.6	16.0	9	Department Stores	41.8	23.3	41.8H	41.5	41.8
87.6	56.1	7	Drugs & Toilet Articles	98.9	72.8	97.2	97.9	97.8
270.0	211.2	2	Finance Companies	441.1	227.2	431.0	441.1H	431.9
66.2	51.8	7	Food Brands	70.1	60.9	67.8	69.8	67.4
56.4	46.2	4	Food Stores	56.6	41.4	54.8	56.1	56.6h
65.7	32.1	3	Furniture & Floor Cover	100.9	65.7	99.7	100.9H	100.3
1209.7	990.2	3	Gold Mining	1296.9	1116.0	1265.5	1222.0	1216.4
46.8	35.3	5	Household Equipment	58.1	46.5	57.6	58.1H	57.8
38.7	17.0	5	Investment Trusts	51.0	36.6	49.5	50.9	51.0H
359.0	223.6	2	Liquor (1932 Cl.—100)	341.6	265.2	333.2	341.6h	338.0
139.0	65.1	9	Machinery	180.0	134.7	177.0	179.1	180.0H
67.3	36.0	2	Mail Order	107.4	61.3	101.8	103.6	107.4H
63.0	34.5	4	Meat Packing	83.9	59.4	71.9	72.2	72.2
183.6	109.4	10	Metal Mining & Smelting	226.5	159.5	216.2	221.3	221.0
97.2	51.3	24	Petroleum	127.6	97.2	120.5	120.3	125.0
67.2	23.0	18	Public Utilities	91.2	67.2	77.9	85.4	87.9
33.0	15.9	3	Radio (1927—100)	35.4	26.7	29.4	31.9	30.8
85.7	29.3	8	Railroad Equipment	89.6	52.5	80.4	81.5	89.6H
28.8	16.5	24	Railroads	39.8	27.3	35.6	35.8	36.7
16.8	5.2	3	Realty	22.9	13.4	15.2	17.4	21.0
76.4	28.5	3	Shipbuilding	87.6	62.7	77.4	80.9	80.3
88.1	37.6	11	Steel & Iron	118.0	85.2	111.8	112.7	116.6
30.4	21.1	5	Sugar	45.3	29.8	39.0	41.1	42.1
153.6	122.5	2	Sulphur	175.6	142.5	165.0	166.2	170.5
78.3	34.2	3	Telephone & Telegraph	97.4	76.6	87.6	87.7	88.1
73.5	34.7	8	Textiles	83.5	62.0	78.1	83.5H	82.6
10.6	6.0	4	Tires & Rubber	20.7	10.6	17.1	19.0	20.7H
101.8	77.2	4	Tobacco	100.2	87.2	95.5	97.1	96.8
85.4	51.0	4	Traction	76.2	61.0	68.5	66.5	67.4
282.8	219.7	4	Variety Stores	369.2	232.5	355.0	369.2H	358.2

H—New HIGH record since 1931. h—New HIGH this year.

DAILY INDEXES OF SECURITIES

	N. Y. Times 40 Bonds	Dow-Jones Avgs. 30 Indus.	Dow-Jones Avgs. 20 Rails	N. Y. Times —50 Stocks— High	N. Y. Times —50 Stocks— Low	Sales
Monday, November 16	89.61	182.65	56.30	142.14	140.66	2,374,670
Tuesday, November 17	89.84	184.90	57.32	143.54	141.28	3,270,050
Wednesday, November 18	89.71	184.44	56.85	144.34	142.29	2,920,750
Thursday, November 19	89.53	182.21	56.10	142.85	140.87	2,441,712
Friday, November 20	89.48	180.74	55.40	141.64	139.92	1,822,290
Saturday, November 21	89.40	182.01	56.05	141.78	140.89	802.260
Monday, November 23	89.08	178.62	54.73	141.33	138.63	2,159,820
Tuesday, November 24	89.11	181.11	55.28	140.49	138.63	1,924,200
Wednesday, November 25	89.16	180.78	55.08	140.21	139.06	1,856,320
Thursday, November 26	HOLIDAY—EXCHANGE CLOSED					
Friday, November 27	89.65	182.81	55.94	141.30	139.50	2,276,130
Saturday, November 28	89.73	183.32	55.73	141.67	140.94	1,434,280

STOCK MARKET VOLUME

Week Ended Nov. 28	Week Ended Nov. 21	Week Ended Nov. 14
9,650,750	13,631,732	12,062,010
Total Transactions Year to Nov. 28	**Same Date 1935**	**Same Date 1934**
445,316,612	336,075,777	300,753,528

Note: Latest figures compiled as of Nov. 30. (b)—1,000 Gross tons. (C)—Iron Age. (d)—F. W. Dodge—37 States. (F)—Dun & Bradstreet. (G)—U. S. Labor Bureau '23-25—100. ★—000 omitted. †—000,000 omitted. *—Iron Age Composite. §—Week ended Nov. 24. Ag—August. Se—September. Oc—October.

MONEY RATES	Latest Week	Previous Week	Year Ago
Time Money (90-day)	1¼%	1¼%	1
Prime Commercial Paper	¾@1%	¾@1%	¾@1%
Call Money	1%	1%	¾%
Re-Discount Rate	1½%	1½%	1½%

CREDIT			
Bank Clearings, N. Y.†	$4,245	$4,710	$3,521
Bank Clearings (outside N. Y.)†	2,282	2,648	1,950
Brokers' Loans, F. R.†	1,006	951	887
	Nov. 1	**Oct. 1**	**Last Year**
Brokers' Loans, N. Y. S. E.†	974	971	792
New Corporate Financing†	396(Oc)	173(Se)	250

COMMODITY PRICES	Latest Week	Previous Week	Year Ago
Finished Steel* c per lb	2.197	2.197	2,130
Pig Iron* $ per ton	19.73	18.73	18.84
Steel Scrap* $ per ton	16.17	16.17	13.25
Copper, $ per lb.	.10½	.10½	.09¼
Lead, $ per lb.	.052	.052	.045
Zink, $ per lb.	.0505	.0505	.0485
Tin, $ per 100 lbs	5.35	5.25	5.25
Rubber, $ per lb.	.18½	.18¼	.13¼
Crude Oil (Mid-Cont.), $ per barrel	1.10	1.10	1.00
Sugar, raw, $ per lb.	.0365	.0365	.0340
Silk, raw, $ per lb.	2.01	2.04	2.02½
Wool, raw, $ per lb.	1.01-1.03	.92-.94	.81
Wheat, Price, Dec., $ per bu	1.19½	1.17½	.97¼
Cotton Price, Dec., $ per lb.	.1191	.1177	.1153
Corn Price, Dec., $ per bu	1.04¾	1.05¾	.58¾

KEY INDUSTRIES	Oct.	Sept.	Year Ago
Steel Ingot Prod. (b) (tons)	4,545	4,161	3,146
U. S. Steep Corp. Shipments (b) (tons)	1,007.4	961.8	686.7
Pig Iron Production (b) (tons)	2,992	2,730	1,978
Operating Rate, % Capacity	74.5§	74.0	47.7
Auto Production	224,628	135,130	272,043
Bldg. Contract Awards (d)★	$225,839	$234,271	$200,595
Residential Bldg. (d)★	$79,736	$80,670	$55,100
Cement Shipments★ (bbls)	13,089	12,564	8,794
Coal Production (tons) Bit.	42,935	37,200	37,664
Cotton Consumption (bales)★	646	630	553
Mach. Tool Orders, '26—100%	136.5	118.5	102.5
	Latest Week	**Previous Week**	**Year Ago**
Oil Prod., daily aver. (bbls.)★	3,060	3,040	2,839
Stocks of Gasoline and Fuel Oil★ (bbls.)	111,762	112,841	108,847
Elec. Pwr. Output (kwh)†	2,196	2,169	1,953

TRANSPORTATION	Latest Week	Previous Week	Year Ago
Carloadings★	789	784	647
Miscellaneous Freight★	325	323	258
Merchandise L.C.L.★	170	167	161

TRADE	Oct.	Sept.	Year Ago
Dept. Store Sales '23-25—100%	90	88	77
Mail Order Sales★	$94,655	$83,745	$72,957
Merchandise Imports★	215,525(Se)	195,016(Ag)	161,647
Merchandise Exports★	219,967(Se)	178,249(Ag)	198,803
Business Failures (F)	611	586	1,056

EMPLOYMENT	Sept.	August	Year Ago
Factory (G)	90.6	89.0	83.7
Durable Goods Industries (G)	80.7	80.0	71.2
Consumers Goods (G)	101.2	98.8	97.1
Factory Payrolls (G)	81.0	81.1	71.7

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The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

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B. F. Goodrich Co.

On the basis of reports that B. F. Goodrich may earn as much as $3.30 to $3.40 on its common—don't you think this stock should sell higher? I have 100 shares bought at 19½.—D. H. H., Newark, N. J.

There have been a number of developments over the past year, which have considerably improved the position of B. F. Goodrich common stockholders. In the first place, the company has benefited from a more stable price structure than has existed in a number of years, which together with expanding volume business, has meant increased profit. Thus, the report of the company covering the first half of 1936 revealed the highest net income to be recorded for any similar period since 1929. Net income for the period amounted to $2,727,606 which was equivalent, after allowing for regular dividend requirements on the old 7% preferred stock, to $1.47 a share on the common. In the first half of 1935, the common stock earnings equalled 45 cents a share. In order that common stockholders might be placed in a position to share in the earnings recovery being enjoyed by the organization, a plan was adopted whereby arrears amounting to $33.25 a share on the 294,308 shares of 7% preferred stock were cleared through the issuance of new $5 preferred stock and common stock to holders of the old preferred. Goodrich not only is a factor in the automobile tire industry, which is enjoying considerable betterment, but is the largest manufacturer of mechanical rubber goods. With industrial recovery taking place on a broad front, prospects for the organization are further enhanced. The company plans to call its present outstanding 6½% mortgage bonds with part of the proceeds from its recently marketed first 4¼s, thereby effecting a saving and further enhancing the market position of the common.

American Safety Razor Corp.

I had thought American Safety Razor would be doing better recently inasmuch as the last quarter of the year is said to be its most favorable. Would you care to comment on the present position and prospects for this company?—R. J. F., Dayton, Ohio.

The record in past years indicates that you are correct in your assumption that the final quarter of the year produces the largest earnings for American Safety Razor Corp. In 1935 the net earnings in the final quarter of the year showed an increase of over 56% above the third quarter earnings, and fell only a little short of the net produced from the operations in the entire first half-year period. Earnings for the nine months ending September of this year at $1.73 per share were 11% above those reported for the corresponding months in 1935, and the improvement will likely be more pronounced in the final quarter. The full year earnings are likely to record considerable improvement over the $2.14 a share (applied to present outstanding share capitalization) earned in 1935, and we do not believe that the full effect of the recovery of public purchasing power has as yet been felt. The financial position is outstandingly strong, and extra dividend disbursements over the regular $2 dividend rate may be forthcoming in the not far distant future. The company has expanded its operations in the recent past to include the manufacture of soap and cosmetics, and the manufacture of surgical instruments. It occupies a place of considerable importance tradewise, which position it has been able to maintain. Continually improving products and the adoption of a shrewd sales program have contributed much to the maintenance of earning power, and we may as-

(Please turn to page 250)

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New York Stock Exchange

Rails

	1934 High	1934 Low	1935 High	1935 Low	1936 High	1936 Low	Last Sale 11/24/36	Div'd $ Per Share
A								
Atchison	73¾	45¼	60	35¾	88½	59	73¾	‡2.00
Atlantic Coast Line	54¼	24½	37¼	19½	45⅞	21⅝	42¼	‡1.00
B								
Baltimore & Ohio	34½	12¾	18	7½	26½	15⅞	22¼	....
Brooklyn-Manhattan Transit	44⅞	28¼	46¾	36½	58¼	40¼	54	4.00
C								
Canadian Pacific	18¼	10⅞	13¾	8⅝	16	10⅞	13⅞	....
Chesapeake & Ohio	48⅝	39½	53¼	37⅛	77¾	51	71½	†2.80
C. M. & St. Paul & Pacific	8½	2	3	¼	2⅞	1½	1¾	....
Chicago & Northwestern	15	3½	5⅝	1⅜	4⅞	2½	3⅛	....
Chicago, Rock Is. & Pacific	6¼	1⅜	2⅝	¾	3	1½	2	....
D								
Delaware & Hudson	73½	35	43½	23½	54¾	36¾	45½	....
Delaware, Lack. & West	33¾	14	19⅛	11	23⅛	14⅞	18⅛	....
E								
Erie R. R	24⅞	9⅜	14	7⅛	18¼	11	15⅛	....
G								
Great Northern Pfd	32½	12¼	35⅛	9⅝	46⅜	32¼	38½	....
H								
Hudson & Manhattan	12⅛	4	5½	2¾	5⅞	3⅛	4⅛	....
I								
Illinois Central	38⅞	13⅝	22¼	9½	29½	18⅝	23⅛	....
Interborough Rapid Transit	17½	5¼	23⅝	8¾	18⅞	11½	12⅛	....
K								
Kansas City Southern	19¾	6⅝	14½	3¾	26	13	18½	....
L								
Lehigh Valley	21¼	9½	11½	5	22	8½	18	....
Louisville & Nashville	62½	37¾	64¾	34	102⅜	57½	96½	‡6.00
M								
Mo., Kansas & Texas	14⅞	4⅜	6⅜	2½	9⅝	5½	7	....
Missouri Pacific	6	1½	3	1	4	2⅛	2⅝	....
N								
New York Central	45¼	18⅜	29¾	12¼	49⅝	27¾	43⅜	....
N. Y., Chicago & St. Louis	26⅞	9	19	6	53⅛	17¾	41	....
N. Y., N. H. & Hartford	24⅛	6	8½	2⅝	5⅝	3	3⅝	....
N. Y., Ontario & Western	11⅝	4½	6½	2⅝	7½	4	5	....
Norfolk & Western	187	161	218	158	310½	210	296	†8.00
Northern Pacific	36¼	14½	25¼	13⅛	36¾	23⅞	26⅛	....
P								
Pennsylvania	39⅛	20⅛	32½	17¼	45	28¼	41⅛	‡2.00
Pittsburgh & W. Va	27	10	25	6⅞	41¼	21	32½	....
R								
Reading	56⅜	35⅛	43⅛	29⅞	50¾	35½	44½	2.00
S								
St. Louis-San Francisco	4⅝	1⅛	2	¾	3⅝	1½	2	....
Southern Pacific	33¾	14⅞	25½	12¾	47⅞	23½	41⅛	....
Southern Railway	36½	11½	16½	5½	25¾	12¾	21⅞	....
T								
Texas & Pacific	43¼	13½	28½	14	15¼	7½	12	‡.25
U								
Union Pacific	133⅞	90	111½	82½	149¾	108½	131	6.00
W								
Western Maryland	17¼	7⅛	10⅛	5½	12⅛	8⅛	9	....
Western Pacific	8½	2⅝	3⅜	1⅛	4	1⅞	2⅛	....

Industrials and Miscellaneous

	1934 High	1934 Low	1935 High	1935 Low	1936 High	1936 Low	Last Sale 11/24/36	Div'd $ Per Share
A								
Adams-Millis	34⅞	16	37¼	38	15¾	9⅝	14½	‡1.25
Air Reduction	113	91¾	173	104¾	86½	58	82	†1.00
Alaska Juneau	23⅞	16⅝	20⅛	13¼	17½	13	15	†.60
Allegheny Steel	23⅛	15	32	21	40¾	26⅞	38	‡1.40
Allied Chemical & Dye	160¾	115⅛	173	125	245	157	230½	6.00
Allis Chalmers Mfg.	23⅜	10⅜	33⅞	12	71½	35⅜	68	†1.50
Amerada	55⅝	39	80	48½	125½	75	95	2.00
Amer. Agric. Chemical (Del.)	48	25¼	57¾	41½	89	49	84¾	3.00
American Bank Note	25¼	11½	47¾	13½	55½	37	40½	1.00
Amer. Brake Shoe & Fdy	38	19½	42½	21	68	40	63¾	1.60
American Can	114¾	90¼	149⅝	110	137½	115¾	122¾	†4.00
Amer. Car & Fdy.	33⅞	12	33⅞	10	54⅞	30	48½	....
American Chicle	70⅝	46¼	96	66	113⅛	87⅝	105¼	†4.00
American & Foreign Power	13¾	3⅞	9¼	2	9¾	6½	6¾	....
Amer. Power & Light	12¼	3	9⅝	1½	14⅜	7½	11⅜	....
Amer. Radiator & S. S.	17⅝	10	25⅛	10½	27⅜	18¾	22	†.60
American Rolling Mill	28¼	13½	32⅜	15¾	37	23¾	34⅜	†1.20
Amer. Smelting & Refining	51¼	30¼	64⅝	31⅝	103	56¾	97	‡4.05
Amer. Steel Foundries	26½	10⅛	25¼	12	54	20½	52⅜	‡1.00
Amer. Sugar Refining	72	46	70½	50⅛	63⅝	48¼	56⅝	2.00
Amer. Tel. & Tel.	125¼	100⅛	160½	98⅞	189½	149½	186¾	9.00
Amer. Tobacco B	89	67	107	74¾	104	88½	99⅞	5.00
Amer. Water Works & Elec.	27⅝	12⅝	22¾	7⅛	27¾	19⅛	25	‡.40
Amer. Woolen Pfd	83¾	36	68¾	35½	70¾	52¾	66⅝	*4.00
Anaconda Copper Mining	17¾	10	30	8	55⅜	28	50⅝	†1.00
Armour Co. of Ill.	6¾	3½	6⅛	3¼	7⅜	4⅝	5¾	....
Atlantic Refining	35¼	21½	28	20½	35⅛	26⅝	30⅞	†1.00
Auburn Auto	57⅜	16½	45½	15	54¼	26⅝	34½	....
Aviation Corp. Del	10¾	3¾	5¼	2¾	7¾	4⅝	6⅛	....
B								
Baldwin Locomotive Works	16	4½	6⅝	1½	6⅞	2½	5¾	....
Bayuk Cigar	45¾	23	66¾	37½	22¼	16¾	19¾	†.75

Price Range of Active Stocks

Industrials and Miscellaneous (Continued)

	1934		1935		1936		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	11/24/36	Share
B								
Beatrice Creamery	19¾	10¼	20⅛	14	28⅜	18	26	1.00
Beech-Nut Packing	76⅝	58	95	72	103	85	102½	†4.00
Bendix Aviation	23⅞	9¾	24½	11⅞	32⅜	21⅝	28¾	‡1.50
Best & Co.	40	26	57½	34	72	48	68	2.50
Bethlehem Steel	49½	24⅛	52	21⅝	76⅜	45¾	70½	....
Bohn Aluminum	68¾	44½	59⅞	39⅝	63⅛	41	46¼	3.00
Borden Co	28¼	19⅞	27¾	21	32⅜	25⅝	28	1.60
Borg Warner	31⅜	16⅛	70½	28¼	90¼	64	85¼	4.00
Briggs Mfg.	28⅜	12	55⅜	24½	64⅞	43¼	61½	†2.00
Burroughs Adding Machine	19⅜	10½	28	13¼	34⅛	25	3	†.60
Byers & Co. (A. M.)	32¾	13¾	20⅝	11⅜	25⅜	16½	22	....
C								
California Packing	44⅜	18¾	42½	30½	44⅞	30¼	42¾	1.50
Canada Dry Ginger Ale	29½	12½	17⅝	8⅛	20¼	10⅜	17⅜	....
Case, J. L.	86¾	35	111¼	45¾	186	92½	155	4.00
Caterpillar Tractor	38¾	23	60	36½	91	54¾	87¾	†2.00
Celanese Corp.	44⅞	17⅛	35⅜	19½	32¼	21¾	27⅜	‡.50
Cerro de Pasco Copper	44½	30¼	65¾	38⅝	74	47¾	69⅝	4.00
Chesapeake Corp.	48⅞	34	61¼	36	77¾	51	71½	†2.80
Chrysler Corp	60⅜	29¼	93⅞	31	138¾	85½	126¼	‡12.00
Coca-Cola Co	161½	95¼	93	72½	134	84	129	†2.00
Colgate-Palmolive-Peet	18⅛	9⅜	21	15⅛	20½	13	18½	†.50
Columbian Carbon	77¼	58	101¼	67	136½	94	118	†4.00
Colum. Gas & Electric	19¼	6⅝	15¾	3⅜	23⅜	14	17⅝	‡.40
Commercial Credit	40¼	18⅝	58	39½	84⅞	44	76⅞	†4.00
Comm. Inv. Trust	61	35¾	72	56¼	91¾	55	86¼	†4.00
Commercial Solvents	35¾	15¾	23⅞	16½	24⅝	14¼	16¾	†.60
Com. Southern	3¼	1	3	¾	5½	2¼	3⅝	....
Congoleum-Nairn	35⅜	22	27	45¾	44½	30⅞	35¼	†1.60
Consolidated Edison of N. Y.	47⅜	18½	34¾	15⅞	48⅜	27¼	45½	†2.00
Consolidated Oil	14¼	7¼	12¼	6½	15¼	11½	13	†.60
Container Corp	....	....	23⅛	22	26¼	15¾	19½	†1.00
Continental Can	64½	56¾	99¼	62¾	87¼	67½	70¼	†3.00
Continental Insurance	36¼	23⅜	44⅞	28⅞	46	35½	42½	†1.20
Continental Oil	22¾	15¾	35	15⅛	39	28⅛	36¼	‡1.50
Corn Products Refining	84½	55½	78⅜	60	82½	63⅝	70½	3.00
Crown Cork & Seal	36¼	18¾	48⅞	23½	91½	43⅝	86	‡4.00
Cutler-Hammer	21½	11	47	16	83	43¼	75	†1.00
D								
Deere & Co	34⅛	10⅛	58¾	22¾	101½	52	91¾	....
Diamond Match	28½	21	41	26½	40½	30⅛	32	†1.50
Distillers Corp. Seagrams	26⅝	8⅞	38½	13⅝	34⅝	18¼	26⅜	....
Dome Mines	46¼	32	44⅞	34⅛	61½	41½	52¼	†2.00
Douglas Aircraft	28½	14¼	58⅜	17½	82¼	50⅝	74	....
Du Pont de Nemours	103⅞	80	146½	86⅝	184¾	133	a181	‡6.10
E								
Eastman Kodak	116½	79	172¼	110½	185	156	181	†5.00
Electric Auto Lite	31⅜	15	38⅜	19⅜	47½	30¾	43¾	‡2.00
Elec. Power & Light	9⅝	2¼	7½	1⅛	18⅛	6⅜	17⅝	....
Electric Storage Battery	52	34	58¾	39	55¼	42⅜	46½	‡2.75
Endicott Johnson Corp	63	45	66	52¾	69	53½	59¾	3.00
F								
Fairbanks, Morse	18¾	7	39½	17	70¾	34¾	64¼	†1.00
Firestone Tire & Rubber	25¼	13⅛	25½	13⅛	34⅜	24⅞	33	2.00
First National Stores	69¼	53	58⅞	44⅜	56¾	40	55⅜	2.50
Foster Wheeler	22	8½	30	9⅞	42⅞	24⅛	39¼	....
Freeport Texas	50⅜	21½	30⅝	17¼	35⅝	23⅛	27½	1.00
G								
General American Transpt.	43⅝	30	48½	32⅝	70½	42¼	69½	‡3.00
General Baking	14⅜	6½	13⅜	7⅜	20	10¾	18¼	†.60
General Electric	25¼	16⅞	40⅞	20½	53½	34½	51¾	†1.00
General Foods	36⅞	28	37½	30	44	33⅜	43	†1.80
General Mills	64½	51	72½	59⅞	70½	58	62½	3.00
General Motors	42	24⅝	59⅜	26⅝	77	53⅞	70½	‡4.50
General Railway Signal	45¾	23½	41¼	15⅝	50	32½	44⅜	1.00
General Refractories	23⅜	10⅛	33½	16¾	57½	33¼	54⅞	‡2.75
Gillette Safety Razor	14⅞	8½	19½	12	18⅝	13⅝	16½	†1.00
Glidden	28⅜	15⅝	49½	23⅜	55¼	39¾	41½	2.00
Goodrich Co. (B. F.)	18	8	14½	7½	29½	13⅝	28¾	....
Goodyear Tire & Rubber	41⅜	18½	26⅞	15¾	31⅞	21⅝	28¾	....
Great Western Sugar	35¼	25	34⅞	26⅝	40⅞	31	39½	2.40
H								
Hecker Products	23	16	22	14⅜	21⅜	12⅝	13⅝	.60
Hercules Powder	81⅝	59	90	71	138	84	136½	5.00
Hudson Motor Car	24½	6⅛	17½	6¼	22⅝	13½	20¼	....
Hupp Motor Car	7¼	1⅞	3⅞	¾	3¼	1	2	....
I								
Industrial Rayon	32¼	19⅜	36⅜	23½	41⅜	25⅝	38¾	1.68
Ingersoll-Rand	73¾	49½	121	60½	147	106	134½	†2.00
International Business Machines	164	131	190½	149¼	188	160	187¼	†6.00
International Harvester	46⅞	23¼	65⅝	34⅛	101½	56⅝	98¾	2.50
International Nickel	29¼	21	47¼	22¼	66⅜	43¼	63⅞	‡1.30
International Tel. & Tel.	17¾	7½	14	5⅝	19¼	11⅛	12⅝	....
J								
Jewel Tea Co	57½	33	67	49	93⅜	58½	90	†4.00
Johns-Manville	66⅜	39	99½	38½	141½	88	140	†2.00
K								
Kelvinator	21¼	11⅝	18¼	10¼	25⅝	14¾	22⅝	†.50
Kennecott Copper	23⅛	16	30⅜	13¾	63⅜	28¼	61	‡1.70
Kroger Grocery & Baking	33⅝	23¼	32⅛	22¼	28	19⅜	24⅜	†1.60
L								
Lambert	31¾	22¼	28½	21¾	26¾	15⅞	19½	2.00
Lehman Corp	78	68¼	95¾	67⅛	123¾	89	123	†3.00
Libbey-Owens-Ford	43⅞	22½	49¼	21½	80¼	47¼	77½	‡3.50
Liggett & Myers Tobacco B	111¼	74½	120	94¼	116½	97¾	106½	†4.00
Loew's	37	20⅜	55⅛	31¼	65¼	43	63⅞	†2.00
Lone Star Cement	37¾	18⅜	36⅞	22⅞	60¼	35½	58¾	†2.00
Lorillard	22½	15¾	26½	18½	26½	21⅛	23¾	†1.20
M								
Mack Truck	41¾	22	30⅝	18⅝	49¼	27⅜	44⅝	1.00
Macy (R. H.)	62⅛	35¼	57½	30½	65¼	40⅛	60	2.00

New York Stock Exchange Price Range of Active Stocks

Industrials and Miscellaneous (Continued)

	1934		1935		1936		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	11/24/36	Share
M								
Mathieson Alkali	40¾	23½	33⅞	23¾	42⅜	27½	41¾	1.50
May Dept. Stores	45¾	30	57¾	35⅞	70	43¼	68¼	3.00
McIntyre Porcupine	50½	30½	45⅝	33¾	49⅜	38⅛	40⅞	2.00
McKeesport Tin Plate	95⅛	79	131	90½	118½	85	95	‡5.50
Mesta Machine	34¾	20⅛	42⅝	24⅛	65	40⅝	62½	‡3.75
Monsanto Chemical	96½	39	94¾	55	103	79	a100⅜	†1.00
Montgomery Ward & Co	35⅝	20	40⅞	21¾	67	35¾	64⅛	.80
N								
Nash Motor	32¼	12⅝	19½	11	21⅞	15	17¼	1.00
National Biscuit	49½	25⅞	36⅜	22¼	38¾	28¾	33⅜	1.60
National Cash Register	23⅝	12	23½	13½	31⅞	21½	29⅝	‡1.00
National Dairy Products	18¾	13	22⅛	12⅞	28¼	21	25¼	‡1.50
National Distillers	31⅝	16	34½	23⅛	33⅜	25⅝	30½	2.00
National Lead	....	....	....	....	36¼	26⅜	34⅞	†.50
National Power & Light	15½	6⅝	14¾	4⅞	14⅞	9⅝	11¼	.60
National Steel	58¼	34½	83¾	40⅜	75½	57¼	72	1.50
North American	25¼	10¼	28	9	35½	23⅛	30⅞	†1.00
North Am. Aviation	8¾	2⅝	7⅜	2	10¾	6⅝	10¼	....
O								
Otis Elevator	19⅜	12½	26⅝	11⅛	39¾	24¼	35¼	‡.75
Owens-Ill. Glass	94	60	129	80	164	128	152½	‡6.00
P								
Pacific Gas & Electric	23½	12⅜	31⅝	13⅛	41	30¾	36¼	1.50
Pacific Lighting	37	20¾	56	19	58¾	47⅝	49¼	†2.40
Packard Motor Car	6⅝	2¾	7½	3½	13⅜	6⅞	11⅝	‡.45
Paramount Pictures	....	....	12	8	22⅞	7⅛	21⅜	....
Penney (J. C.)	74¼	51½	84¾	57¼	105¾	69	104⅝	‡7.25
Penick & Ford	67	44⅝	81	64½	73	60	63	3.00
Phelps Dodge	18⅞	13¼	28⅛	12¾	54	25⅝	54	‡1.25
Phillips Petroleum	20¾	13⅜	40	13¾	49⅜	38⅛	45½	‡2.50
Pillsbury Flour Mills	34¾	18½	38	31	37¼	29¼	30¼	1.60
Procter & Gamble	44⅜	33⅛	53¾	42⅜	54½	40¼	52¾	†1.50
Public Service of N. J.	45	25	46¾	20⅜	49¼	39	47¾	†2.40
Pullman	59⅜	35¼	52⅞	29½	65⅜	36⅞	57½	1.50
R								
Radio Corp. of America	9⅛	4½	13⅜	4	14¼	9¾	12⅛	....
Radio-Keith-Orpheum	4¼	1½	6	1¼	10⅞	5	8¼	....
Raybestos-Manhattan	23	14½	30¼	16½	38⅜	28⅞	37	†1.50
Remington Rand	13⅜	6	20¾	7	25	17½	23½	†.60
Republic Steel	25¾	10½	20¾	9	26¾	16⅞	24	....
Reynolds (R. J.) Tob. Cl. B	53¾	39¾	67	55¼	60½	50	60⅜	3.00
S								
Safeway Stores	57	38¼	46	31⅝	49⅝	27	48	†2.00
Schenley Distillers	38⅞	17⅛	56¼	22	55⅞	37¾	55⅜	†3.00
Sears, Roebuck	51¼	31	69⅞	31	10½	59⅝	97¼	†2.00
Servel	9	4⅜	17	7⅝	31⅜	15⅝	29½	†1.00
Shattuck (F. G.)	13⅞	6¾	12⅞	7¼	19¾	11⅛	18¾	†.50
Shell Union Oil	11½	6	16½	5½	28	14¾	27⅜	‡.25
Socony-Vacuum Corp	19⅞	12½	15¾	10⅝	17½	12½	16¼	‡.70
So. Cal. Edison	22⅛	10⅛	27	10⅝	32½	25	30	1.50
Spiegel May Stern	76¾	64	84	43⅞	113	63	108	3.00
Standard Brands	25¼	17¼	19⅛	12½	18⅛	14⅜	16⅜	†.80
Standard Oil of Calif.	42⅞	26½	41⅛	27¾	47⅝	35	38⅜	†1.00
Standard Oil of Ind.	32¾	23¼	33⅜	23	45¼	32¾	43	†1.00
Standard Oil of N. J.	50⅛	39¼	52⅜	35¾	70⅛	51⅛	65½	†1.00
Sterling Products	66½	47¼	68	58¾	78½	65	75⅜	†3.80
Stewart-Warner	10⅝	4½	18⅞	6⅝	24½	16½	19¼	†.50
Stone & Webster	13¼	3⅞	15⅛	2½	22⅜	14⅝	21⅛	....
Sun Oil	74½	51½	77	60½	91	72	77	†1.00
T								
Texas Corp	29⅜	19⅝	30¼	16½	50⅜	28⅞	47½	†1.00
Texas Gulf Sulphur	43¼	30	36¾	28¾	44¾	33	41⅝	†2.00
Tide Water Assoc. Oil	14⅜	8	15⅞	7⅝	21⅝	14¾	20⅜	.60
Timken Roller Bearing	41	24	72½	28⅜	74½	56	71½	†2.00
Transamerica	8½	5⅛	14	4⅞	18⅛	11	17⅝	†.40
Tri-Continental	6¾	3	8¼	1⅞	12	7⅛	9⅝	‡.25
Twentieth Century-Fox	....	....	24⅞	13	38⅝	22½	37⅜	‡2.00
U								
Underwood-Elliott-Fisher	58⅞	36	87¼	50¾	99	74⅝	85	2.875
Union Carbide & Carbon	50⅞	35⅞	75¾	44	105¼	71⅝	101¾	3.20
Union Oil of Cal	20½	11½	24	14¾	28½	20¾	24¼	1.00
United Aircraft	15¼	8⅛	30⅜	9⅞	32⅜	20⅝	26½	‡.50
United Corp	8⅞	2⅛	7¾	1½	9¼	5⅜	7	‡.20
United Corp. Pfd	37⅞	21¼	45¾	20¾	48⅞	40¼	43⅝	3.00
United Fruit	77	59	92¾	60½	87	66½	84¾	†3.00
United Gas Imp.	20⅛	11½	18½	9¼	19½	14⅛	14¾	1.00
U. S. Gypsum	51¼	34¼	87	40½	117	80½	114¼	†2.00
U. S. Industrial Alcohol	64¾	32	50⅝	35⅛	59	31¼	41⅛	....
U. S. Pipe & Fdy.	33	15½	22⅝	14¾	58⅛	21½	54½	1.50
U. S. Rubber	24	11	17¼	9⅛	44½	16⅜	44½	....
U. S. Smelting, Ref. & Mining	141	96⅝	124½	91¾	103¾	72¼	92	‡10.00
U. S. Steel	59⅞	29⅜	50⅝	27½	79¾	46⅜	74½	....
U. S. Steel Pfd.	99½	67¼	119¼	73⅝	150½	115½	150	7.00
V								
Vanadium	31¾	14	21¾	11¼	27¼	16¼	22⅞	....
W								
Warner Brothers Pictures	8¼	2¾	10¾	2¼	18¼	9¼	17¼	....
Western Union Tel.	66⅞	29½	77¼	20⅝	96⅛	72½	90¼	‡2.00
Westinghouse Air Brake	36	15⅞	35¾	18	48⅛	34¾	42¾	‡1.875
Westinghouse Elec. & Mfg	47¼	27⅞	98¾	32⅝	153½	94½	142¾	4.00
Woolworth	55¼	41¼	65¼	51	71	44¾	68	2.40
Worthington Pump & Mach	31⅞	13½	25¼	11¾	36¼	23⅛	31½	....
Wrigley (Wm., Jr.)	76	54½	82¾	73¾	79	63	75½	†3.00

†Annual Rate—not including extras. ‡ Paid this year.
* Accumulated Dividends. a—Ex dividend.

Understanding Today's Market Fluctuations

(Continued from page 235)

these stocks since mid-summer, usually succeeded by marked strength on growing volumes of transactions, all indicative of continuing promise that prices were pointed higher. Until technical indications clearly suggestive of broad distribution in the smaller baking company securities occur, it is unlikely that it will appear more profitable to the majority of speculators to garner presently available gains, unless, of course, other situations develop that are patently far more promising of short-term appreciation, or influences calculated to adversely affect the whole market arise.

Low-priced public utility issues have also been among the popular trading vehicles in recent sessions on the stock exchange. Despite thoughts on the Administration's past attitude and indeterminate present attitude toward this industry, it cannot be denied that many of these stocks are attractive from the viewpoint of current and prospective earning power, especially the latter, when it is recalled that high leverage situations are available. Electric Power and Light is an outstanding example of a high leverage situation in the utility industry. This stock has just recently soared to new highs for the year with a marked increase in market interest as reflected in volumes of transactions. For four months prior to the new strength in the stock, rather wide fluctuations clearly established a support level just above 14. This support point was tested twice in the last three weeks with substantial turnover in the stock. The long four months "line" of accumulation just above the support level at 14 had built up technical strength, a change in market sentiment toward the issue found little stock available in the markets, with the result that purchasers were forced competitively to bid up the price, thus bringing about appreciation at a greater rate than in most other issues in the group. American Power and Light, another low-priced utility, has been quite strong marketwise following a clear-cut

"head and shoulders" accumulation formation outlined over the past three weeks. Stone & Webster, also engaged in the heavy building construction field, has risen to new highs after fluctuating for several months within clearly-defined upper and lower limits. A favorable earnings report and larger orders for construction projects has changed market sentiment toward this issue and the market technical position was found to be strong.

Answers to Inquiries

(*Continued from page 242*)

sume that the application of these principals in the production and distribution of added lines, will be productive of equally satisfactory results in the future, since more favorable conditions will very likely prevail.

Jewel Tea Co.

I have 100 shares of Jewel Tea bought at 27½ three years ago. In view of the appreciation I now enjoy, I would like to know your attitude towards further holding. Would a switch into some lower priced issue be advisable?—S. J. D., Forest Hills, L. I., N. Y.

The profit which you now enjoy on Jewel Tea Co. stock is certainly an excellent one, but considering the progress being recorded by the company we frankly see no reason to disturb your position in the issue at this time. The sales report of the company covering the forty-four weeks ended October 31, 1936, showed an improvement of 7.1% over a year before, while for the four weeks ended October 31, the increase was 8.8%. The dividend record of the organization has been excellent, uninterrupted payments having been maintained throughout the depression years. During the current year the regular rate was increased to $4 a share from $3 regular and an extra of $1.00 paid the year before. This year, in addition to the regular $4 rate, the company has already declared extras totaling $2.50 per share. In the earnings report covering the fifty-two weeks ended July 11, 1936, the company revealed earnings equal to $6.45 a share, indicating that payments thus far are pretty much in line with earning power, especially considering the sales gains scored more recently. Balance sheet position is strong and capitalization conservative, being comprised entirely of 280,000 shares of capital stock.

U. S. Pipe & Foundry Co.

Do you expect the sharply increased earnings trend of the U. S. Pipe & Foundry to continue in 1937? I'll be interested in your advice on whether to hold this stock or sell now at a profit of 18 points.—H. B. R., Akron, Ohio.

U. S. Pipe & Foundry Co. reports only semi-annually, but judging by the showing made in the first six months of the year earnings for the full year 1936 may approximate $4 a share. The company is a leading factor in the production and sale of cast iron pipe, which business is greatly influenced by residential construction. While there is normally some slackening of operations during the winter months, prospects for the business next spring and summer are the best in a number of years. There has been a decided change for the better in the trend of home construction throughout the country, which certainly seems likely to be greatly extended. Such activity means that the water and gas companies will need to install additional facilities, in which cast iron pipe is required. Despite present advanced quotations for the shares, we feel that the definitely promising outlook for 1937 fully justifies further retention of your holdings. With earnings well in excess of present dividends, more liberal payments are a distinct possibility, in our opinion.

Atlas Powder Co.

Will you favor me with a brief analysis of Atlas Powder; what some of its more profitable products are; and whether or not it is in a position to continue its advance over the weeks and months ahead?—A. S. W., Charleston, S. C.

Atlas Powder Co. belongs to that group which, because of the development of new uses for its products, and because of its importance as a factor in the industrial revival through which we are at the present time passing, offers a fertile field for speculative activity. As a group, the chemical issues were among the first to respond to indications of recovery, and their position at this time, as a group, still remains one replete with opportunity. The earnings of Atlas Powder have improved remarkably since the depression low. In 1932, a deficit equivalent to $2.06 a share was reported and last year the earnings were equal to $2.31 a share. Atlas is conservatively capitalized, having outstanding about $6,800,000 in preferred stock (5%) and slightly less than 241,000 shares of common stock. There is no funded debt. The earnings reported for the first nine months of this year showing a net equivalent to $3.28 a share, may be compared with the earnings reported in the corresponding period of 1935 to indicate the degree of improvement underway. In that period the net was equivalent to only $1.86 a share on the stock. The uses of the product of this company are widespread and, characteristic of the chemical companies, new uses are constantly being found and new products to meet the new demands are continually being perfected. Bearing these facts in mind, and considering the strongly entrenched position of this company in its field, one must assume a constructive attitude toward the stock and its future possibilities.

Best & Co., Inc.

It seems to me likely that Best & Co. stock in registering a new top for 1936, discounts holiday business and estimated earnings for the year. However, before realizing over 20 points profit on my holdings, I'll appreciate your advice.—C. R. P., San Francisco, Calif.

While it is doubtless true that present advanced quotations for Best & Co. stock discount to a certain extent, at least, the favorable earnings outlook for the company, we nevertheless believe that maintenance of your long position in the issue is advisable. Indications are that the present favorable trend of merchandise sales will be greatly extended during the holiday season and Best & Co. is particularly well situated to obtain its share of this business. With improved consumer purchasing power, there has been a notable increase in the demand for women's and children's clothing of the quality handled by the subject organization. During the six months

ended July 31, Best's sales increased some 12% over a year before, while earnings on the common stock totalled $1.67 a share, against $1.40 for the like interval of 1935. Financial position of the organization is impregnable and there are only 2,466 shares of $6 preferred and $800,000 represented by a real estate mortgage preceding the 300,000 shares of common. Thus, holders of the junior equity may look forward to liberal dividends. The rate on the stock was recently increased from $2 to $2.50 a share annually and with profits on the upgrade, it is quite possible that a worthwhile extra will be paid before the close of the present fiscal year.

Holland Furnace Co.

I am holding 100 shares of Holland Furnace and currently have a profit of about 5 points. However, I am not an in-and-out trader and if you feel that the long term possibilities of this stock are favorable I will continue my long position in the issue. Any information you may furnish will be appreciated.—L. A. T., Cleveland, Ohio.

Formed in 1906, the Holland Furnace Co. is now the leading manufacturer of hot-air furnaces in the United States. The company has recently become an important factor in the air-conditioning field, having developed air cooling units which may be used in connection with the heating units. Plants of the company are located in Michigan, Iowa and Pennsylvania and are favorably situated to service the wide sales territory covered by the organization's branch offices. As a result of increased activity in residential construction and renovation, the company experienced a strong upturn in its earnings during the 12 months ended September 30, 1936. Net income during that period amounted to $1,204,224, equivalent, after dividend requirements on the preferred stock, to $2.45 a share on the common stock, comparing with $696,305, or $1.26 a common share a year earlier. Financial status of the organization is strong and this factor, coupled with the earnings gains being recorded, suggests liberal dividend payments on the common stock. With the addition of air-conditioning equipment to the company's lines, it appears in an excellent position to participate in the further recovery of residential construction looked for in 1937. Capitalization of the company was improved early this year through the retirement of outstanding debentures and 7% preferred stock, with the proceeds from the sale of some 32,000 shares of $5 convertible preferred. That stock now represents the only claim on earnings coming ahead of the 426,397 common shares. With prospects for the company's business definitely constructive, retention of holdings is advised.

American Snuff Co.

With the advancing raw material and wages in prospect, what will be the effects on American snuff? Can earnings be maintained on a basis to assure present dividends? What of the investment outlook?—R. H. L., Providence, R. I.

To what extent advancing raw material costs and operating expenses will effect the earnings of American Snuff Co. cannot reasonably be estimated, since the extent of the advances, either in cost or expenses is purely a matter of conjecture. The 1935 report showed that material costs represented over 50% of the gross sales in that year. Labor costs are not so important a factor in this company as in other manufacturers, as will be noted by observing that the operating expenses which included the labor costs of 1935, represented only 15% of the sales recorded in that year. Moreover, there is no need for large disbursements for advertising and promotional expenses, since the demand for the products is well established and shows comparatively little fluctuation over a period of years. The industry is relatively free from the keen competition characteristic for instance, of the cigarette manufacturers. Material costs therefore, are the chief concern in the outlook for the company, but there is less cause for concern in this respect, in our judgment, than there is for organizations in many other fields. If stability of income is the desired element, we believe that in the shares of American Snuff Co. you have that quality exemplified probably to a maximum degree. In that respect at least, and in other respects such as financial status, the shares of American Snuff Co. present an excellent investment media.

Texas Gulf Sulphur Co.

I have 200 shares of Texas Gulf Sulphur bought last year for investment. I am pleased with the yield offered, but note that this stock is not as buoyant as many other issues. Do you anticipate any early improvement?—M. C. C., Boston, Mass.

There are, it appears, several factors which may have exercised a retarding influence marketwise on the shares of Texas Gulf Sulphur in recent sessions of the market. The market itself has been highly selective in character, and pronounced advances have not been general throughout the list, speculative attention appearing to have been confined to a very large extent to relatively few issues and groups which seemed to have dynamic possibilities in the early stages of recovery. As the recovery progresses, more than likely issues which have yet been to a degree neglected, will receive attention. It must not be thought, however, that Texas Gulf Sulphur is without possibility for registering increased earning power. Such an impression, if it exists is erroneous. Sulphur is used widely

in such industries as fertilizer, oil refining, chemicals, coal products, iron and steel and metal industry, paints, textiles, paper and explosives. The volume of business reported by Texas Gulf Sulphur has shown a very saisfactory improvement since the depression low, and earnings during the current year were estimated at approximately $2.60 a share, recording substantial betterment over the $1.81 a share reported in 1934, and the $1.94 a share shown from operations in 1935. There have been some uncertainties surrounding the outlook for earnings, which very likely has tended to discourage speculative activity in the shares of this company. The imposition of a heavy production tax by the State of Louisiana, undoubtedly has impaired the earning power of this company's competitor the Freeport Texas Co. A less severe tax imposed by the State of Texas, has not yet affected the earnings of Texas Gulf, since the tax did not become effective until the first of November. In the matter of taxation, Texas Gulf Sulphur Co. appears to be in a relatively more favorable position, and it may be supposed that eventually price levels can be so adjusted as to absorb, in a large measure at least, such taxes. Considering the record of this company, generally favorable prospects and the outlook for maintenance of dividends in the future, the yield offered at present price levels is attractive. We would not select the issue as one offering definite attraction for pronounced appreciation possibilities in the near future, but rather as one to be held on the basis present return and future potentialities.

The Investor in the Alloy Age

(*Continued from page 208*)

Although much has been accomplished in recent years in developing the value and application of many metal alloys, the further possibilities for their commercial success appear almost limitless. Metal alloys possess the qualities which should inevitably assure them a leading role in the industrial progress of the future. Recent production, which has already far outstripped the 1929 volume, may give only a hint of what the output of alloys may be several years hence.

A Merchandise Chain Revitalized

(*Continued from page 230*)

a suitable one. Under the provisions of the accepted plan, former holders of the debentures and preferred stock suffered no loss. The debentures were retired by cash, which also included all accrued interest, plus interest on overdue coupons. Preferred stockholders received an equivalent number of new 6 per cent convertible preferred shares and all back dividends in cash. Common stockholders likewise received an equivalent amount of stock and the right to subscribe to additional shares in the ratio of 6/10ths of a share for each share held at $10.75 a share.

The sale of additional stock raised sufficient funds to provide the company with total working capital of $6,000,000 and approximately 240,000 shares of common stock were issued to United Stores Corp., in settlement of landlord claims acquired by the latter during the period of receivership. These claims were settled on the basis of cost plus interest. Other landlord claims, as well as those of general creditors, were settled in cash.

Several important changes were effected in the company's status during the period of receivership and by the subsequent reorganization. The number of stores were reduced to 195, presumably through the elimination of the more costly and unprofitable units. A majority of the company's leases were adjusted on more equitable terms and expiration dates were staggered, over both the long and short term. Fixed charges were reduced, a portion of the mortgage and purchase money obligations were retired and the deficiency in working capital was corrected. Capitalization now includes $4,552,000 5 per cent debentures due 1951, purchase money and mortgage obligations of $870,745, 50,000 shares of 6 per cent preferred stock, on which regular dividends are being paid and which is convertible into common on the basis of two shares of common for each share of preferred, and 990,253 shares of common stock. The principal change in capitalization was the increase in the amount of common stock outstanding. Claims for lawyers' fees and other items incidental to the receivership and reorganization were recently reduced by Court order from $1,600,000 to $500,000.

For the month of October, the company's sales increased more than 10 per cent over the same month last year. Moreover, this year the company was operating only 194 stores against 203 a year ago. Sales for the ten months were about 8½ per cent ahead of last year. The company has released no earnings report covering operations subsequent to the discharge of the receiver. It has been estimated, however, that between $1.50 and $2 will be earned on the common stock this year, despite non-recurring receivership costs. With retail trade generally likely to experience the best holiday volume since 1929, these estimates do not appear to exaggerate the company's prospects. On this basis, the common stock, selling around 22, would appear to represent a reasonably priced speculative opportunity. Should estimated earnings be realized, moreover, the possibility of a dividend, perhaps $1 a share, would be considerably enhanced.

Timken Rolling Bearing Appraised

(*Continued from page 217*)

comparing with the 1930 figure and the best locomotive business since 1,212 were bought in 1929.

Timken's capitalization is simple, consisting merely of 2,411,380 outstanding shares of capital stock—no bonds, no preferred stock, no bank loans. On the record of administration, as judged by strong trade ranking and financial position, the management is top rank. When big markets open up for Timken, especially in its industrial lines and railroads, it will make handsome profits and the chances are that 1937 will see it much further along the road to prosperity.

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Will Higher Wages Prove a Spur to Business?

(*Continued from page 205*)

impossible to grant all the demands of strikers, it would seem that a great deal of the labor unrest currently plaguing the country might have been avoided by the display of a little more willingness to share increased profits. Many important companies, of course, have put into effect profit-sharing plans, others pay bonuses to their workmen, but there is still room for improvement.

Assuming that wages are going, and should go, up, does it make any difference that prices also are inevitably headed in the same direction? While it is true that business operates best when prices are trending moderately upwards, it is also true that higher prices have a dampening effect upon the purchasing power of the country as a whole; they tend to offset the gains made by labor in the form of more dollars in the weekly pay-envelope. However, what is really important in connection with wage and price trends is which is to be the stronger.

It is admittedly an established precedent for wages to lag behind prices, but if they continue to lag as much as they have lagged now for four years we are certainly headed for trouble. In passing it might be noted that this phenomenon is characteristic of inflations and, as we have heard a good deal about the latter over the past few years, it is not to be forgotten that inflation always means soaring prices, far outdistancing wages, and the ultimate ruination of the worker.

On the other hand, if the current widespread readjustment of wage rates foreshadows a tendency for wages to regain some of the ground they have lost to prices, it means an increase in the public's purchasing power and, consequently a firm foundation on which a further expansion in business may rest. Up to now, apart from the Government's injection of artificial purchasing power into the business stream, re-employment and the increase in investor income has managed to take up any purchasing power slack as soon as it developed. From this point on, lists of the unemployed must necessarily contain a large percentage of the unemployable and, regardless of Mr. Hopkins' fervent plea, industry will not find it possible to absorb any great proportion of this dead-weight. Thus, the maintenance of mass purchasing power begins to rest more and more on higher wages—moreover, wages which tend to keep pace or better advancing living costs.

Although one cannot say with certainty that the United States will actually follow this to-be-desired course, there is certainly weighty evidence to show that we are headed in this direction for a time at least. Today, labor is a potent power in the land; it is tacitly backed by the Federal Government. Under such circumstances, that it will use this power upon recalcitrant employers to better itself cannot be doubted. And provided — it does not overplay its hand, labor's gains should ultimately be industries' gains and indirectly even the investors' gains.

DIVIDENDS

ARMOUR AND COMPANY
(ILLINOIS)

On November 20 a quarterly dividend of one dollar and fifty cents ($1.50) per share on the $6.00 prior preferred stock and a dividend of one dollar and fifty cents ($1.50) per share on the 7% preferred stock of the above corporation were declared by the Board of Directors, both payable January 2, 1937, to stockholders of record at the close of business December 10, 1936.

E. L. LALUMIER, *Secretary*

ARMOUR AND COMPANY
OF DELAWARE

On November 20 a quarterly dividend of one and three-fourths per cent (1¾%) per share on the preferred stock of the above corporation was declared by the Board of Directors, payable January 2, 1937, to stockholders of record at the close of business December 10, 1936.

E. L. LALUMIER, *Secretary*

BAYUK CIGARS INC.
PHILADELPHIA

A quarterly dividend of 1¾% ($1.75 per share) on the First Preferred stock of this corporation was declared payable January 15, 1937, to stockholders of record December 31, 1936.

A dividend of eighteen and three-fourths cents (18¾¢) per share on the Common stock of this corporation was declared payable December 15, 1936, to stockholders of record November 30, 1936.

A special dividend of twenty-five cents (25¢) per share on the Common stock of this corporation was declared payable December 15, 1936, to stockholders of record November 30, 1936.

Checks will be mailed.

John O. Davis
November 13, 1936. *Secretary*

LOEW'S INCORPORATED
"THEATRES EVERYWHERE"

November 20, 1936

THE Board of Directors on November 18, 1936 declared a quarterly dividend of 50c and an extra dividend of $1.00 per share on the Common Stock of this Company, payable December 31, 1936 to stockholders of record at the close of business on December 11, 1936. Checks will be mailed.

DAVID BERNSTEIN,
Vice-President & Treasurer

THE BELL TELEPHONE COMPANY OF CANADA

Notice of Dividend

A dividend of one and one-half per cent (1.50%) has been declared payable on the 15th day of January, 1937, to shareholders of record at the close of business on the 23rd of December, 1936.

F. G. WEBBER,
Montreal, November 25th, 1936. Secretary

UNITED CARBON COMPANY
DIVIDEND NOTICE

There have been declared the regular quarterly dividend of 75 cents per share and an extra dividend of 75 cents per share, both payable December 19, 1936 to stockholders of record at the close of business on December 4, 1936.

C. H. McHENRY, Secretary.

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To One Man In Every *Corp.*

He is a man high in Management. He is a man whose responsibility it is to gain the good-will of Investors. He is the man who places the Dividend Notice of his company. We want to speak to him—

The Magazine of Wall Street gives you thorough and 100% interested coverage of 50,000 largest and most active Investors—persons who are your best prospective security holders—persons whose favorable relations are essential to your financial success — persons to whom *your* Dividend Notice is significant news!

The many companies represented on this page attest to the value of placing your dividend notice in this medium.

The MAGAZINE of WALL STREET
90 Broad Street, New York

THE ELECTRIC STORAGE BATTERY CO.

Exide BATTERIES

The Directors have declared a final dividend for the year 1936 of One Dollar Twenty-five Cents ($1.25) per share on the Common Stock and the Preferred Stock, payable Dec. 21, 1936, to stockholders of record of both of these classes of stock at the close of business on Dec. 1, 1936. Checks will be mailed.

WALTER G. HENDERSON, *Treasurer.*
Philadelphia, November 20, 1936.

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a dividend of 50 cents per share and an additional dividend of 50 cents per share on the Company's capital stock, payable December 15, 1936, to stockholders of record at the close of business on December 1, 1936.

H. F. J. KNOBLOCH, *Treasurer.*

NEWMONT MINING CORPORATION
Dividend No. 33

A year end dividend of Two Dollars per share has been declared on the capital stock of Newmont Mining Corporation, payable December 15, 1936, to stockholders of record at the close of business November 30, 1936.

H. E. DODGE, *Secretary.*
November 19, 1936.

COMMERCIAL INVESTMENT TRUST CORPORATION

Convertible Preference Stock, $4.25 Series of 1935, Dividend

A regular quarterly dividend of $1.06¼ on the Convertible Preference Stock, $4.25 Series of 1935, of COMMERCIAL INVESTMENT TRUST CORPORATION has been declared payable January 1, 1937, to stockholders of record at the close of business on December 5, 1936. The transfer books will not close. Checks will be mailed.

Common Stock—Regular Dividend

A regular quarterly dividend of $1.00 per share in cash has been declared on the Common Stock of COMMERCIAL INVESTMENT TRUST CORPORATION, payable January 1, 1937, to stockholders of record at the close of business December 5, 1936. The transfer books will not close. Checks will be mailed.

Common Stock—Extra Dividend

An extra dividend of $1.25 per share in cash has been declared on the Common Stock of COMMERCIAL INVESTMENT TRUST CORPORATION, payable December 15, 1936 to stockholders of record at the close of business December 5, 1936. The transfer books will not close. Checks will be mailed.

JOHN I. SNYDER, *Treasurer*
November 19, 1936.

THE TEXAS CORPORATION

137TH Consecutive Dividend paid by The Texas Corporation and its predecessor, The Texas Company

A dividend of 25¢ per share or one per cent on par value, and an *extra* dividend of 25¢ per share or one per cent on par value, have been declared this day on the shares of The Texas Corporation, payable respectively on January 1, 1937 and December 21, 1936, to stockholders of record as shown by the books of the corporation at the close of business on December 1, 1936. The stock transfer books will remain open.

C. E. WOODBRIDGE
November 20, 1936 *Treasurer*

UNION CARBIDE AND CARBON CORPORATION

A cash dividend of Eighty cents (80c) per share on the outstanding capital stock of this Corporation has been declared, payable January 1, 1937, to stockholders of record at the close of business December 4, 1936.

ROBERT W. WHITE, Treasurer

ANACONDA COPPER MINING CO.
25 Broadway
New York, November 19, 1936.
DIVIDEND NO. 116

The Board of Directors of the Anaconda Copper Mining Company has declared a dividend of Twenty-five Cents (25c) per share, and an extra dividend of Twenty-five Cents (25c) per share upon its Capital Stock of the par value of $50. per share, payable December 21, 1936, to holders of such shares of record at the close of business at 3 o'clock P. M., on November 30, 1936.

D. B. HENNESSY, *Secretary.*

Bright Outlook for Office Equipment

(*Continued from page 233*)

tures, due 1946, sold privately earlier this year. These funds were used to discharge bank loans and increase working capital. The company's outstanding record of earnings and continuous dividend payments entitle the shares to rank among the more conservative common stock investments.

Underwood-Elliott-Fisher

Retaining its long established position as the world's largest manufacturer of typewriters, Underwood-Elliott-Fisher has broadened its output of other office equipment to a point where the company is now a leading manufacturer of adding machines, accounting machines and machine supplies such as ribbons and carbon papers. The company has developed a specially designed machine to facilitate the keeping of records for social security and unemployment insurance. In fact, its line includes machines capable of doing almost any conceivable type of accounting or bookkeeping job. Although earnings this year are running ahead of 1935, recent gains have been restricted by heavy nonrecurring expenses. Net available for the outstanding common shares for the nine months to September 30, was equal to $2.76 per share. The common shares outstanding were increased this year from 666,448 shares to 731,296 shares, in order to provide funds for the retirement of all of the outstanding 7 per cent stock on September 5, last. The final quarter is usually the most profitable for the company and for the full year earnings may approximate $4.50 a share, providing a substantial margin for the $3 dividend. At 85, the shares yield a reasonable return and indicate possibilities for gradual enhancement in value.

Addressograph-Multigraph

Profits of Addressograph-Multigraph Corp. this year have been nearly double those for 1935. Earnings for the first nine months were equal to $1.17 a share for the 746,313 shares of capital stock, comparing with 62 cents a share earned in the same period a year ago. Including a recent extra of 25 cents, dividends this year totaled 95 cents a share. The company's products include a wide diversity of mechanical addressing, duplicating, office printing and lithographing machines. Sizes range all the way from the new "900" model, low priced and especially designed for the smaller office, to Multilith, capable of turning out more than 4,000 lithographed impressions in an hour. Customers are drawn from practically every major industry, as well as banks, insurance companies, public utilities and governmental agencies. Foreign business, which has been expanding, contributes about 25 per cent of the total volume. Brief reports from Germany are to the effect that Addressograph has recently consolidated with the Adrema Machinenbau Co. of Berlin. At 33, the shares are reasonably priced and seem likely to show gradual enhancement in value during the months ahead.

Burroughs Adding Machine

The company's name suggests only a part of the business of Burroughs Adding Machine. In line with the general trend in the office equipment industry, the company has greatly added to its original line and is in the market with a wide assortment of adding-bookkeeping, billing and accounting-typewriter machines, as well as standard typewriters, cash registers and other appliances and devices. The company is firmly established both in the United States and abroad, foreign sales accounting for as much as one-third of the total. Earnings have shown a steady upturn during the past several years, and the management is considering an important enlargement in plant capacity. An exceptionally strong financial position supports a policy of generous dividends, payments this year having totaled $1.20 a share on the 5,000,000 shares of capital stock comprising the entire capitalization. Earnings for the full current year may show $1.50 available for the shares. This would compare with $1.02 a share earned in 1935. Recently selling around 30, the shares of Burroughs Adding Machine appear to offer sound equity value.

Remington Rand

Despite the fact that shipments this year have been running considerably ahead of last year, and unfilled orders on hand are the largest in the company's history, these constructive conditions have not been reflected in the current profits of Remington Rand. Earnings have had to absorb heavy expenses and added costs resulting from recent labor difficulties. These difficulties appear now to have been largely overcome, suggesting that from this point on profits will be more in keeping with the substantial business volume. The company is a foremost manufacturer of office supplies and business equipment, including such mechanical products as typewriters, adding, accounting and billing machines, as well as index and filing systems, office furniture, safes, and cabinets. Sweeping changes have been made in the company's capital structure over the past eighteen months. Bonded debt has been refunded, preferred stock recapitalized and back dividends taken care of the old preferred shares. Dividends have been resumed on the common at the rate of 15 cents in cash, plus 1 per cent in stock, quarterly. The common has a measure of speculative attraction on the possibility of materially better earnings in the near future, although potentially the shares are subject to a gradual dilution of equity through the exercise of several classes of warrants now outstanding.

Nash-Kelvinator—A Soundly Conceived Merger

(*Continued from page 229*)

and on the grounds that it possessed large liquid resources which it was not possible to use in the business. If there is any validity in the idea previously expressed that Nash's cash is to finance an expanded business for Nash-Kelvinator obviously these resources will not be available for the payment of dividends to the same degree. Moreover, as there will be a considerably larger number of Nash-Kelvinator shares outstanding than there were

For Himself, The Businessman Would Choose These Books

MINIMIZING SECURITIES TAXES

Julius Sinker, C.P.A. — $1.00

That excellent and indispensable book, YOUR SECURITIES AND FEDERAL TAXES, has now been cut down and simplified greatly for the edification of the average investor, and has as well acquired a new and meaningful title. In compact form, it answers every tax problem which the average investor is likely to encounter, and in such clear and concise fashion that the complex wordage of tax legislation becomes easily understandable.

The new chapters enlarge on taxes on undivided profits and contain a list of tax-exempt securities with typical examples and a table of yields. Finally, it shows you how to analyze your own tax position and gives specific advice on what to do before this year is over. For everyone who has money invested in the stock market this book is invaluable, particularly in view of the new tax laws effective in 1937.

THE ART OF CONVERSATION

Milton Wright — $2.50

So that you may learn how to talk to the best advantage in any situation, whether in business or social life, Milton Wright, author of GETTING ALONG WITH PEOPLE, has written his latest book THE ART OF CONVERSATION. He shows you—not merely tells you, but shows you—how to start a conversation, how to keep it going, how to direct it the way you want it to go, how to make precisely the impression you want to make and get exactly the result you want.

The book is firmly grounded in psychology and is written in a clear and entertaining style. Its importance is obvious, for, although a person may have a great deal of knowledge, that knowledge is useless unless he has the ability to express himself. If you are among those who would like to win an argument, a friend, a job, or a sale—and who isn't—read this book by all means.

JOHN L. LEWIS—LEADER OF LABOR

Cecil Carnes — $2.50

There is every indication that the story of John L. Lewis, President of the United Mine Workers of America, will be one of the year's outstanding biographies—partly because John L. Lewis is front page news—and partly because he is John L. Lewis.

The life of Lewis is rich material for a biography. A fighting labor leader, and the son of a fighting labor leader, he has never been cowed in combat—win, lose or draw. Blessed with physical strength, an orator's voice, a brilliant mind and the courage and willingness to trade blows with anyone anywhere—from behind a mine dump to the platform of an A. F. of L. Convention, John L. Lewis will appear to the readers of Cecil Carnes' impartial appraisal as either a villian or a hero. No man with as strongly expressed views can fall into the wayside of disinterest. His biography is a vital background for the future of friend and foe alike. Major emphasis is upon what and why Lewis did what he did. Whether he was right or wrong is left to the reader's judgment.

HOW TO WIN FRIENDS AND INFLUENCE PEOPLE

Dale Carnegie, B.Pd., Litt. D. — $2.00

Dale Carnegie, founder of the Dale Carnegie Institute of Effective Speaking and Human Relations, has trained more than 15,000 business and professional men, including some of the most famous in the nation. From his unique experience comes this fascinating handbook on the problem of getting along with people—a subject shown by surveys to be of tremendous interest to adults.

You will find every line of *How to Win Friends and Influence People* packed with practical down-to-earth psychology. You will be told, in Dale Carnegie's staccato-like style, six ways to make people like you, twelve ways to win people to your way of thinking. You will be given examples of letters that produced miraculous results—not to mention seven rules for making your home life happier. And you will not have to struggle through a labyrinth of technicalities to find these rules. This is a book you owe it to yourself to read, and once read, one that you will want to own for ready reference.

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Enclosed is remittance of $.............. please send me the following books I have checked: ( ) JOHN L. LEWIS—LEADER OF LABOR. ( ) HOW TO WIN FRIENDS AND INFLUENCE PEOPLE. ( ) MINIMIZING SECURITIES TAXES. ( ) THE ART OF CONVERSATION. I understand that I am to receive an additional volume, BROKERAGE TECHNIQUE, with any order that comes to more than the amount of $3.00.

NAME ....
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of Nash alone, the payment of unearned dividends means a heavier strain on the cash account.

What it really amounts to is this: the stockholders of Nash are exchanging their low-yielding Government bonds for a share in a profitable refrigeration business. However, the fact that the refrigeration business is profitable is not to say that it can absorb large quantities of additional capital and make them yield a handsome return immediately; the money must be given a chance to work. Hence, though Nash stockholders *do* receive their first two or three quarterly dividends at the rate of fifty or sixty cents a share annually, they have no real cause for complaint.

Curiously, the effect of the merger upon Kelvinator's stockholders, so far as the dividend is concerned, will be somewhat similar. Currently, they are receiving a 50-cent annual rate and 50 cents extra has just been declared. However, the consolidation appears to lessen their chances of receiving further extras. They *may* receive them, but their chances are lessened. This is because the earning power of their division must help defray the difference between the earning power of the Nash division and the dividends paid on it. Against this, however, must be weighed the fact that they are obtaining the cash which, had it been raised by preferred stock or bonds, probably would have lessened their chances of extra dividends even more.

As was said at the beginning of this discussion of the dividend aspect of Nash-Kelvinator, the fact that the merger seems to have made it somewhat less favorable for the stockholders of both companies is something that might pass quickly. Though the consolidation start with earning power at the rate of no more than sixty cents a year, it is not to say that it could not close the period showing considerably better results. In this case the dividend undoubtedly would be raised, for Nash-Kelvinator will start life with all the cash it can use for some time; to build up the cash account from earnings will not be necessary.

There has been rumors to the effect that the Nash-Kelvinator merger is but a prelude to Chrysler taking over them both. However, whether or not there is anything to it, is another story.

Developments Worth Noting

(*Continued from page 219*)

of supply will be virtually eliminated and this is an extremely important factor in the present circumstances. Henry Ford has long followed the policy of allocating parts business among several suppliers and, viewing the recent experience suffered by several leading automobile manufacturers as a result of labor difficulties in Bendix plants, a broad movement among other companies and industries toward decentralization of both manufacturing facilities and sources of supply may well develop.

Why American Capital Leaves Mexico

The Mexican Government's policy of regulation and dictatorship is proceeding apace. The situation has become so difficult that many foreign business interests are giving up the fight and leaving the country. According to the United States Chamber of Commerce the number of American business men in Mexico has decreased from approximately 25,000 to roughly 6,000 in the past few years. Under the new expropriation law projected by the Mexican Administration, President Cardenas would have the sole authority to carry out its purposes. The scope of this latest expropriation law has been broadened from the national and public interest to include so-called "social interest." Although vigorous protests are being made by both Mexican and foreign business men, it is generally expected that the law will be passed essentially in its present form. Apparently radicalism is continuing to spread along with the mounting difficulties with labor in our neighbor Republic.

Can the Railroads Regain Their Former Earning Power?

(*Continued from page 222*)

in sight. Railway executives claim that it would throw all but a few of the strongest railroads into bankruptcy, with the only alternative Government ownership. It is estimated that this measure would add $400,000,000 a year to the operating expenses of the railroads.

There is special apprehension over it because of the realization that organized labor is stronger at Washington since the recent election than ever before, that President Roosevelt seems inclined to favor this group to a pronounced degree, and that George M. Harrison, Chairman of the legislative committee of the Railway Labor Executives Association, is on record as saying that the bill will not only be introduced but "pushed vigorously" at the next session of Congress. He has stated also that "all the labor organizations are solidly behind this measure."

There is some difference of opinion among prominent railway executives, with whom the writer has talked, as to whether the six-hour bill can be defeated at the next session of Congress.

Just at this writing there is special interest also in railroad circles as to what will be done about the so-called surcharges on certain freight commodities that expire December 31. Recently the railroads asked to file tariffs representing a comprehensive revision of the rate structure, intended to compensate in part (about one-half) for the surcharges that are estimated to yield from $100,000,000 to $115,000,000 to the railroads as a whole this year.

The I. C. C. denied this application, but re-opened the case, "without prejudice," and set a hearing for January 6, next. The carriers then applied for an extension of the surcharges while the rate case is pending. On this application the Commission has set a hearing for December 10. To show what the surcharges are expected to mean to two of the big Eastern railroad systems in 1936, it is officially estimated that for the first nine months of this year they added $13,000,000 to New York Central operating revenues, whereas the new rates are expected to yield $9,000,000. For the Pennsylvania the figures are $15,000,000 and $10,000,000, respectively. The I. C. C. has authorized a pick-up and delivery service for the Eastern roads, such as has been

in effect on Southern and Western lines. It should help in meeting truck competition, but it is too early to give results in dollars. An accompanying table gives further data relative to this and other items.

Then there is the question of co-ordination of physical facilities of the railroads, as strongly urged, and even ordered in some instances, by Joseph B. Eastman when Federal Co-ordinator. The executives never have believed that all possible co-ordinations would result in anything like the savings of millions of dollars a year that he claimed. The executives maintain that co-ordination should come about naturally and voluntarily, and not by order or law, and should pertain largely to small roads. So long as there is private ownership and management of the railroads, competition will exist and individual facilities will be jealously guarded.

Mr. Eastman still has government ownership of the railroads in the back of his head. In his latest statement on the subject he said: "The staggering difficulties of taking the properties over on terms, fair both to the private owners and the government, and the fact that the railroads are now only one of the important mediums of transportation. are conflicting factors which justify doubt as to the wisdom of public ownership and operation under present conditions. I am not now urging it." A very sane and accurate statement.

Thomas W. Lamont, who has had as wide an experience in the financing of railroads as has Mr. Eastman in the regulation of them, says: "If the Government owns the railroads of the country will it be able to avoid going a step further and take over the whole transportation system, trucks, buses and water carriers? No, I believe that private management still has a far better chance of solving the problem, always provided it has the enlightened and liberal co-operation of Government."

Mr. Eastman's most recent idea with respect to further supervision of the railroads by the Government calls for a Department of Transportation. In support of his idea he says: "There is need for a department, not so engrossed (as the I. C. C.), which can keep in close touch with the transportation situation, watch developments, study the larger problems, foresee dangers which are impending, promote the cause of co-ordination, and advise both the President and Congress in regard to transportation policies. My own inclination is to prefer a non-political, independent agency associated with the Commission."

Mr. Eastman offers the foregoing only as a suggestion. He is no longer Federal Co-ordinator and it is doubted that any one else will champion the idea in the near future. It does not seem a bad suggestion, particularly as for some years the I. C. C. has been overburdened with more or less technical and routine work and has not had the time for careful consideration of the bigger problems involved in Government supervision of the railroads.

And now we have traversed rapidly, but comprehensively, the whole railroad situation in this country, and we end where we began with the assertion that whether the railroads regain their former earning power and are able to pay dividends again pretty generally in reasonably good times, is largely "up to Washington."

Bucyrus-Erie Co.

(*Continued from page 227*)

ranging from small power shovels to huge dredges and wrecking cranes, powered by electric, steam, Diesel and internal combustion units. The principal outlet for these products include such industries as mining, quarrying, construction, road building and railroads, as well as in the work of harbor dredging and levee repairs.

Prior to the depression, operations were productive of sizable profits, but the nature of the business is such that subsequent to 1930, the company felt the full brunt of the restricted demand for all types of capital goods and the drastically curtailed activities in those industrial fields upon which it is heavily dependent. Deficits aggregating more than $3,000,000 were piled up in the three-year period 1932 to 1934. Dividends on the $7 preferred stock were cut to $2, while payments on the $2.50 convertible preference and common shares were omitted in 1931.

In 1935, however, the company reported a profit of $156,429 and with the broadening demand stimulated by increasing activity in the heavier industries, the company reported earnings of $469,978 in the first six months of the current year. Last July the full $1.75 quarterly rate was resumed on the preferred stock and subsequently, under the capital readjustment plan, all back dividends were eliminated by giving preferred stockholders $5 in cash and one share of common stock. The old $2.50 convertible preference shares were eliminated by giving holders 1½ shares of common stock for each share held. Capitalization now consists of 68,300 shares of 7% preferred stock, 1,256,968 shares of common. Profits in the first half of this year, on the basis of the new capitalization, would have been equal to about 20 cents a share on the common stock, after allowing for preferred dividends. For the full year the company may earn as much as 50 cents a share for the common. At 17, the shares must be regarded as speculative, but as such are not without possibilities over the next six to twelve months.

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